

CITY OF DALLAS, OREGON
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

Prepared by: Finance Department
Marcia Baragary, Finance Director

CITY OF DALLAS, OREGON
TABLE OF CONTENTS

INTRODUCTORY SECTION

	<i>Page</i>
<i>LETTER OF TRANSMITTAL</i>	<i>i-iii</i>
<i>OFFICIALS OF THE CITY OF DALLAS, OREGON</i>	<i>iv</i>
<i>GFOA CERTIFICATE OF ACHIEVEMENT</i>	<i>v</i>
<i>ORGANIZATION CHART</i>	<i>vi</i>
<i>ADMINISTRATIVE ORGANIZATIONAL CHART</i>	<i>vii</i>

FINANCIAL SECTION

<i>INDEPENDENT AUDITOR'S REPORT</i>	<i>1-2</i>
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	<i>3-9</i>
<i>BASIC FINANCIAL STATEMENTS</i>	
Government-wide Financial Statements	
Statement of Net Assets	<i>10</i>
Statement of Activities	<i>11</i>
Fund Financial Statements	
Balance Sheet - Governmental Funds	<i>12</i>
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	<i>13</i>
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<i>14</i>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	<i>15</i>
Statement of Fund Net Assets - Proprietary Funds	<i>16</i>
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	<i>17</i>
Statement of Cash Flows - Proprietary Funds	<i>18</i>
Notes to Basic Financial Statements	<i>19-35</i>
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
Infrastructure Assets Reported Using the Modified Approach	<i>36-37</i>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	<i>38</i>
Systems Development Fund	<i>39</i>
<i>OTHER SUPPLEMENTARY INFORMATION</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Funds	
General Obligation Bond Fund	<i>40</i>
Capital Improvements Fund	<i>41</i>
Nonmajor Governmental Funds	
Combining Balance Sheet	<i>42</i>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	<i>43</i>

CITY OF DALLAS, OREGON
TABLE OF CONTENTS (Continued)

	<u>Page</u>
FINANCIAL SECTION (Continued)	
OTHER SUPPLEMENTARY INFORMATION (Continued)	
Nonmajor Governmental Funds (Continued)	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Street Fund	44
Revenue Sharing Fund	45
Trust/Reserve Fund	46
Grants Fund	47
Urban Renewal Fund	48
Improvement Bond Fund	49
General Debt Fund	50
Proprietary Funds	
Schedules of Revenues, Expenses and Changes in Fund Net Assets -	
Budget (Non-GAAP Basis) and Actual	
Sewer Fund	51
Water Fund	52
Outside Water Fund	53
Combining Statement of Net Assets - Internal Service Funds	54
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets -	
Internal Service Funds	55
Combining Statement of Cash Flows - Internal Service Funds	56
Schedules of Revenues, Expenses and Changes in Fund Balance -	
Budget (Non-GAAP Basis) and Actual	
Shop Service Fund	57
Central Services Fund	58
Other Financial Schedules	
Schedule of Property Tax Transactions and Outstanding Balances	59
Schedule of Bond and Bond Interest Transactions	60
Schedule of Future Debt Service Requirements	61-62
STATISTICAL SECTION	
Financial Trends	
Net Assets by Component - Last Six Fiscal Years	63
Changes in Net Assets - Last Six Fiscal Years	64-65
Fund Balances, Governmental Funds - Last Ten Fiscal Years	66
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	67
Program Revenues by Function/Program - Last Six Fiscal Years	68
Revenue Capacity	
Tax Revenue by Source, Governmental Funds - Last Ten Fiscal Years	69
Assessed and Estimated Value of Taxable Property - Last Ten Fiscal Years	70
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years	71
Principal Taxpayers for Polk County	72
Property Tax Levies and Collections - Last Ten Fiscal Years	73
Debt Capacity	
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt	
Per Capita - Last Ten Fiscal Years	74
Computation of Overlapping General Obligation Debt	75
Computation of Legal Debt Margin	76
Schedule of Pledged Revenue Bond Coverage - Last Ten Fiscal Years	77

CITY OF DALLAS, OREGON
TABLE OF CONTENTS (Continued)

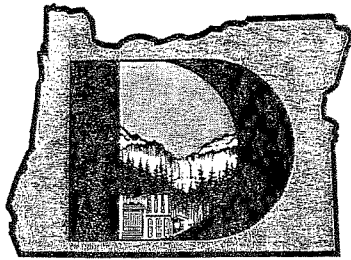
STATISTICAL SECTION (Continued)

Page

Demographic and Economic Information	
Demographic and Economic Statistics	78
Principal Employers - Current Year and Nine Years Ago	79
Full-Time Equivalent City Employees by Function - Last Ten Fiscal Years	80
Operating Information	
Operating Indicators - Last Ten Fiscal Years	81
Capital Asset Statistics by Function - Last Ten Fiscal Years	82

REGULATORY SECTION

Comments and Disclosures Required By State of Oregon Minimum Standards for Audits of Oregon Municipal Corporations	83-85
---	-------



City of Dallas

December 16, 2008

To the Honorable Mayor Jim Fairchild, Members of the City Council, and Citizens of the City of Dallas:

We are pleased to submit the Comprehensive Annual Financial Report of the City of Dallas, Oregon for the fiscal year ended June 30, 2008. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) and follows guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTERNAL ACCOUNTING CONTROLS

To provide a reasonable basis for making the presentations contained in this report, the City of Dallas has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Dallas' financial statements in conformity with GAAP. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

THE REPORTING ENTITY AND ITS SERVICES

The City of Dallas is located in the foothills of the Oregon Coast Range, with close proximity to the state capitol, a large metropolitan area, and extensive recreational opportunities relating to the Coast Range mountains and Pacific Ocean beaches. The certified population estimate at July 1, 2008, for the City of Dallas was 15,065.

The City of Dallas operates under the city manager-council form of government. Policy-making and legislative authority are vested in the City Council, consisting of the mayor and nine other members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city, and for appointing the heads of the various departments.

The City provides a range of services as authorized in its Charter and Ordinances. This includes police protection, ambulance service, fire protection, municipal court, street construction and maintenance, water, sanitary and storm sewers, parks, aquatic center, land use planning and zoning, building inspection, economic development, public improvements, library services and administrative services. The City has engaged in extensive and careful planning for the future, as evidenced by its Comprehensive Plan, most recently approved by the Land Conservation and Development Commission (LCDC) in 2004. In addition, the City has adopted an updated plan for commercial core area revitalization and industrial expansion. The City has also adopted a long-term Capital Improvements Plan (CIP) that includes a master street plan, sanitary sewer, storm drainage and water system plans. The CIP includes 1, 3, 5 and 20-year projects. Long-term financial planning is based on a 3-year fiscal forecast.

Dallas' economy has been somewhat affected by the downturn in the State and global economy. Fortunately, even though industrial economy has slowed over the past year, commercial growth has continued. Tenant improvement plans are continually being submitted as well as plans for several commercial developments. Residential plans and developments have slowed from their record-setting pace in 2006, but Dallas' economy has remained viable due to its geographical location. Dallas has also established effective partnerships with Polk County and other adjacent cities.

To help revitalize our downtown, Dallas has developed a Commercial Core Redevelopment program with additional staff to concentrate on developing strategies, making contacts with potential new businesses, and assisting existing businesses.

The City continues to improve its infrastructure. During the past year, the City substantially completed major street improvements, necessitated by accelerated growth in newer residential areas. Also, reconstruction of the bridge on Levens Street, which is a major arterial street, was completed. Numerous utility improvements were completed to ensure that demand resulting from commercial and residential growth can be accommodated. These improvements include major upgrades to the storm and water systems. A detailed capital improvement plan, which incorporates this long-term vision, has been adopted by the City Council and is continually reviewed and revised.

The City Council, City Manager and staff participate in a partnership to continue to stabilize the city's financial operations. Annually, a three-year fiscal forecast is prepared, which incorporates various assumptions, including cost of living increases, capital improvement projects and estimated population growth. The City Council's policy is to maintain adequate fund balances in all funds. As this may impact services provided to the citizens of Dallas, operations are constantly reviewed to ensure the City is operating efficiently and effectively. Additional discussion regarding the City of Dallas and economic factors can be found in Management's Discussion and Analysis included in the financial section of this report.

INDEPENDENT AUDIT

The State of Oregon (ORS 298.405 to 298.555) requires an annual audit of the fiscal affairs of the City by an independent certified public accountant. The City of Dallas' financial statements have been audited by Grove, Mueller & Swank, P.C., a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Dallas for the fiscal year ended June 30, 2008, are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

FINANCIAL REPORTING AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dallas for its comprehensive annual financial report for the fiscal year ended June 30, 2007. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

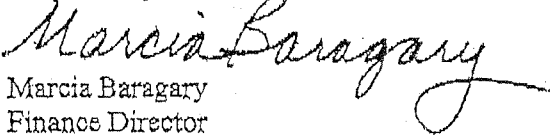
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. The City of Dallas has received a Certificate of Achievement for the last seventeen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

We would like to express our sincere gratitude to the personnel of the Finance Department who assisted and contributed to the preparation of this report. Appreciation is also extended to the Mayor, City Council and City Department Heads, whose continuing support is vital to the financial health of the City of Dallas, Oregon.

Respectfully submitted,


Marcia Baragary
Finance Director


Jerry Wyatt
City Manager

Dallas, Oregon

CITY OF DALLAS, OREGON

JUNE 30, 2008

MAYOR AND COUNCIL MEMBERS

<u><i>Name</i></u>	<u><i>Term Expires</i></u>
Mayor James Fairchild 297 SE Ironwood Dallas, Oregon 97338	January 2009
Kenneth Woods, Jr., President 1130 Main Street Dallas, Oregon 97338	January 2011
Councilor Warren Lamb 936 SW Hunter Street Dallas, Oregon 97338	January 2011
Councilor David Shein c/o 187 SE Court Street Dallas, Oregon 97338	January 2009
Councilor Kevin Marshall c/o 187 SE Court Street Dallas, Oregon 97338	January 2011
Councilor LaVonne Wilson 2129 SE Magnolia Avenue Dallas, Oregon 97338	January 2009
Councilor Brian Dalton PO Box 190 Dallas, Oregon 97338	January 2009
Councilor Dave Voves 558 NW Douglas Street Dallas, Oregon 97338	January 2009
Councilor Wes Scroggin 409 SE Walnut Avenue Dallas, Oregon 97338	January 2009
Council Jackie Lawson c/o 187 SE Court Street Dallas, Oregon 97338	January 2011

City Officials

Jerry Wyatt, City Manager
Maria Baragary, Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dallas
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



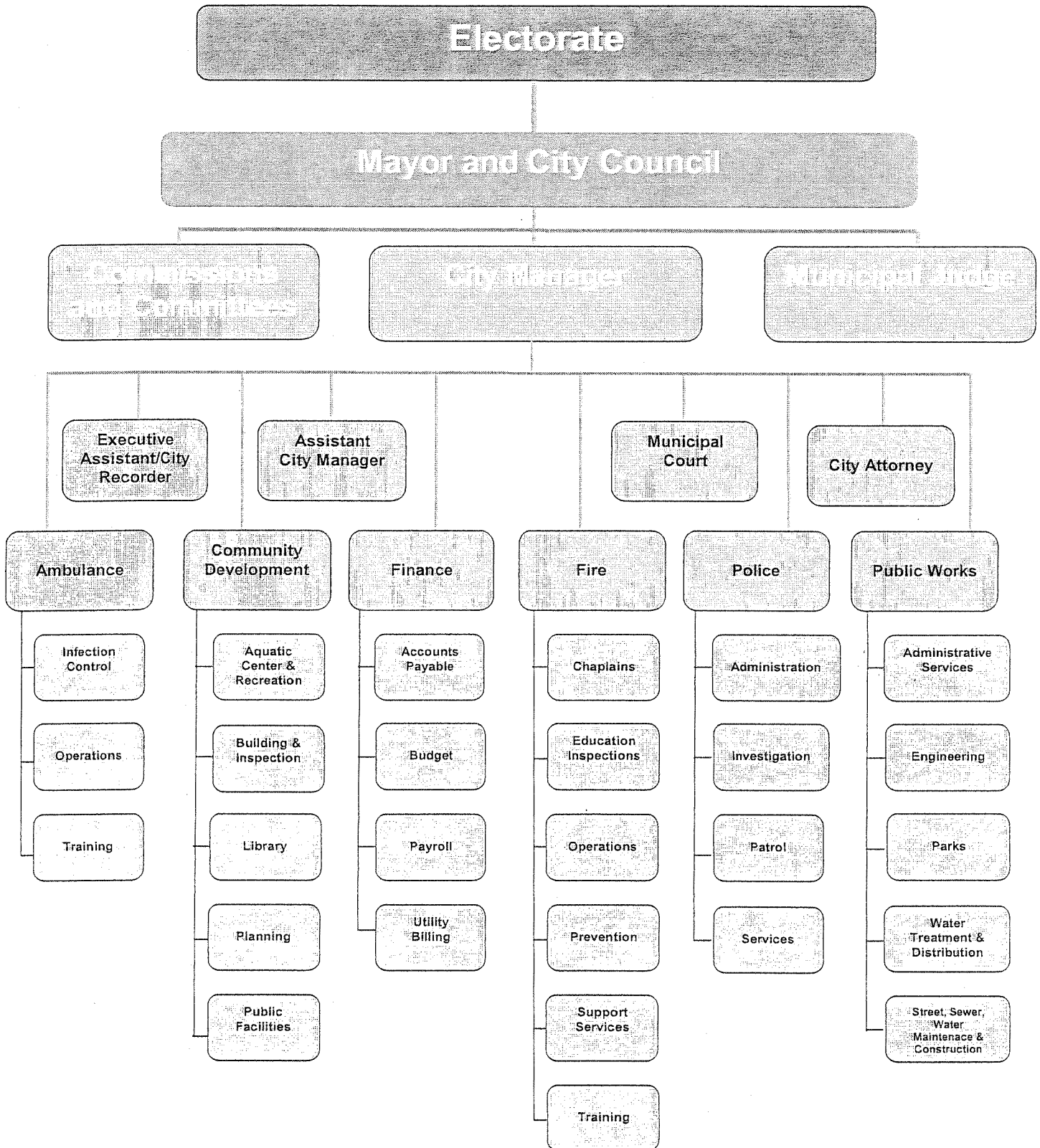
A handwritten signature in dark ink, appearing to be "M. L. R.", written over the printed name "President".

President

A handwritten signature in dark ink, appearing to be "Jeffrey R. Enos", written over the printed name "Executive Director".

Executive Director

City of Dallas, Oregon Organization Chart



July 1, 2008



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Dallas
189 SE Court Street
Dallas, Oregon 97338

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Dallas, Oregon as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dallas, Oregon as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and infrastructure assets reported using the modified approach are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections, required budgetary schedule, other supplementary information, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The required budgetary schedule and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

GROVE, MUELLER & SWANK, P.C.
~~CERTIFIED PUBLIC ACCOUNTANTS~~

By 

Charles A. Swank, A Shareholder
December 15, 2008

**CITY OF DALLAS
POLK COUNTY, OREGON**

Year Ended June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the City of Dallas Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2008. The information presented here should be considered in conjunction with the accompanying transmittal letter presented in the introductory section and notes to the financial statements included in this report.

The fiscal year ending June 30, 2008 is the sixth year in which the City of Dallas is required to implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*. Therefore, this discussion and analysis includes comparisons with the previous year.

FINANCIAL HIGHLIGHTS

The assets of the City of Dallas exceeded its liabilities at the close of the fiscal year ending June 30, 2008 by \$106,701,126 (total net assets). Of this amount, \$4,679,110 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Capital assets net of accumulated depreciation represent 89% of the total assets for all funds. Total net assets for all funds remained consistent with the prior year.

At the close of the audited fiscal year, the City of Dallas' governmental funds reported combined ending fund balances of \$7,403,846. This is a 14% decrease compared to the prior year fund balances and is due primarily to the completion of several major construction projects. The unreserved fund balance for the General Fund was \$1,114,009, a 15% decrease from the prior year. This decrease in the General Fund fund balance is primarily due to the major renovation of buildings for use by the Police and Fire Departments, and from the inclusion of ambulance services in the General fund.

During the fiscal year, the City's total expenses for governmental activities exceeded program revenues for governmental activities by \$4,593,017. Total expenses for business-type activities exceeded program revenues for business-type activities by \$378,566.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Dallas' basic financial statements. The basic financial statements include three components: the government-wide financial statements, the fund financial statements and notes to the financial statements. This report also contains other required supplementary information.

Government-wide financial statements. The government-wide financial statements present the net assets (*statement of net assets*) and results of operations (*statement of activities*) of the total reporting government. Included are all governmental and proprietary assets, liabilities and activities of the City. The measurement focus and basis of accounting are the same for the entire entity. The measurement focus is on all economic resources of the fund, including current financial resources (assets) and non-current financial resources (capital assets) and the related current and non-current liabilities and equity accounts. Both government-wide statements are prepared using the accrual basis of accounting, which is similar to the methods used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid.

The statement of net assets presents information on all the City of Dallas' assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may indicate whether the City's financial position is improving or deteriorating.

The statement of activities presents the expenses incurred in providing services to the public and the revenues associated with those activities for both governmental and business-type activities. The statement of activities begins with expenses by function. To these functions are applied charges for services, operating grants and contributions and capital grants and contributions. The resulting sums, with some adjustments, represent charges to general taxpayers and may equate to the nearest that governments can determine the "bottom line."

These government-wide financial statements are divided into two categories. Governmental activities are most services provided by the City of Dallas, which are funded through property taxes and intergovernmental revenues. The governmental activities for the City of Dallas include general government, public safety, highways and streets, and culture and recreation. Business-type activities reflect those operations for which a fee is charged to external users of goods and services and are intended to be funded primarily through charges for services. Business-type activities include sewage disposal, water service and ambulance.

The government-wide financial statements are on pages 10 through 11 of this report.

Fund Financial Statements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that is used to segregate resources that are restricted to a particular activity. The use of funds deters commingling of resources designated for specific purpose, prevents unauthorized transfer of surpluses, and ensures compliance with legal and contractual requirements. The City of Dallas has two types of fund categories: governmental funds and proprietary funds. The City has no fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources and use the modified accrual basis of accounting. Operating statements include all sources and uses of financial resources, and display the excess of revenues and other financial sources over (under) expenditures and other uses. Included in the balance sheet are liquid assets and receivables that will be converted into cash currently and short-term liabilities, including payables to vendors and employees. Unmatured bond principal or liabilities for compensated absences not to be paid in the fiscal year are not included. Because the governmental fund statements do not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements. The emphasis is on major funds that account for the predominant assets and activities of all funds.

The City of Dallas maintains eleven individual governmental funds. Information is presented separately for the General Fund, General Obligation Bond Fund, Capital Improvements Fund and Systems Development Fund in the fund Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances. The other governmental funds are combined into a single, aggregated presentation. Information for these non-major governmental funds is provided in the form of *combining statements* on pages 42 through 43 in this report.

The City of Dallas adopts an annual appropriated budget for all of its funds. Budgetary comparison statements, demonstrating compliance with this budget, have been provided on pages 38 through 41 and 44 through 50 of this report.

Proprietary Funds. The City of Dallas maintains two different types of proprietary funds - enterprise and internal service funds. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the City of Dallas. Enterprise funds are presented as business-type activities in the government-wide financial statements. The City of Dallas uses enterprise funds to account for its Sewage Disposal and Water. Internal service funds account for activities furnishing goods or services to other units of the government. Charges for these services are on a cost-reimbursement basis. The City of Dallas uses internal services funds to account for its shop services, which rents equipment and labor to the other operating funds, and central services, which provides accounting, legal and administrative support to the other funds.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewage Disposal and Water Funds. Both the Shop Services and Central Services are combined into a single column in the proprietary fund financial statements. Information on the individual internal service funds is presented in the form of *combining statements* on pages 54 through 56 in this report.

Notes to the Financial Statements. The notes to the financial statements are an integral part of the basic financial statements and should be read along with them. The notes provide additional information necessary to communicate the financial position of the City of Dallas and are on pages 19 through 35 in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information concerning the City of Dallas.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets of the City of Dallas were \$129,161,517, while total liabilities were \$22,460,391, resulting in combined net assets (governmental and business-type activities) of \$106,701,126. The largest component of the City's total net assets, \$95,563,412 or 90%, reflects its investment in capital assets (i.e., land, buildings, equipment and infrastructure, less any related debt outstanding that was needed to acquire or construct the assets). The City of Dallas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The 14% decrease in current assets for governmental activities and the 17% decrease in business-type activities resulted primarily from the use of cash reserves.

Statements of Net Assets June 30, 2008 and 2007

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2007-08</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2006-07</i>
Current and other assets	\$ 9,785,352	\$ 11,382,949	\$ 3,799,004	\$ 4,579,134	\$ 13,584,356	\$ 15,962,083
Capital assets	79,033,864	78,228,314	36,543,297	33,141,564	115,577,161	111,369,878
<i>Total Assets</i>	88,819,216	89,611,263	40,342,301	37,720,698	129,161,517	127,331,961
Long-term liabilities outstanding	7,350,650	7,775,296	14,559,126	12,336,366	21,909,776	20,111,662
Other liabilities	425,074	772,280	125,541	137,357	550,615	909,637
<i>Total Liabilities</i>	7,775,724	8,547,576	14,684,667	12,473,723	22,460,391	21,021,299
Net Assets:						
Invested in capital assets,						
net of related debt	73,563,864	72,313,314	21,999,548	20,859,855	95,563,412	93,173,169
Restricted	6,458,604	6,820,160	-	-	6,458,604	6,820,160
Unrestricted	1,021,024	1,930,213	3,658,086	4,387,120	4,679,110	6,317,333
<i>Total Net Assets</i>	<u>\$ 81,043,492</u>	<u>\$ 81,063,687</u>	<u>\$ 25,657,634</u>	<u>\$ 25,246,975</u>	<u>\$ 106,701,126</u>	<u>\$ 106,310,662</u>

Governmental Activities. Total revenues for the City of Dallas' governmental activities for the fiscal year ended June 30, 2008, were \$10,339,467. Approximately 36% of the total revenue for the governmental activities was derived from property taxes and approximately 15% of the total revenue is from operating grants and contributions. The 26% decrease in operating grants and contributions compared to the prior year is due to a \$445,000 grant given in the 06-07 fiscal year from the Department of Homeland Security to improve communications between law enforcement agencies. The 28% increase in capital grants and contributions reflects the increase in systems development charge (SDC) revenue. Total expenses for governmental activities were \$9,920,331 (excluding transfers), resulting in a decrease in net assets of \$78,094. The majority of the governmental activities revenue was used to fund public safety, which accounts for approximately 44% of the total governmental activities expense. Culture and recreation expenses account for 30% of the total, highways and streets account for 11%, and general government expenses account for 11% of the total. Interest on long-term debt expenses is approximately 3% of total governmental activities expenses. All depreciation expense related to governmental activities has been allocated to individual governmental functions.

Business-Type Activities. Charges for services and general revenues of business-type activities totaled \$4,790,866 for the current fiscal year. Approximately 94% of the total business-type activities revenue was derived from charges for services. The total expenses for business-type activities were \$4,877,436 (excluding transfers), resulting in an increase of net assets by \$410,659. The 16% decrease in sewage disposal expenses resulted primarily from reductions of utilities and contractual services. Business-type activities for the City of Dallas consist of operations for sewage disposal, water and (in the 2006-07 fiscal year) ambulance services. The ambulance services function was moved to the General fund in 2007-08 and is reported as public safety expenses.

Statements of Activities
Years Ended June 30, 2008 and 2007

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2007-08</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2006-07</i>
Revenues:						
Program revenues:						
Charges for services	\$ 2,585,542	\$ 1,297,115	\$ 4,498,870	\$ 5,178,652	\$ 7,084,412	\$ 6,475,767
Operating grants and contributions	1,523,440	2,051,181	-	-	1,523,440	2,051,181
Capital grants and contributions	1,218,332	953,059	-	1,642,660	1,218,332	2,595,719
General revenues:						
Property taxes	3,762,441	3,607,420	-	-	3,762,441	3,607,420
Franchise fees	822,530	803,718	-	-	822,530	803,718
Grants and contributions	180,474	190,022	-	-	180,474	190,022
Proceeds from sale of capital assets	-	73,977	-	-	-	73,977
Unrestricted investment earnings	246,708	690,537	291,996	332,216	538,704	1,022,753
<i>Total Revenues</i>	<i>10,339,467</i>	<i>9,667,029</i>	<i>4,790,866</i>	<i>7,153,528</i>	<i>15,130,333</i>	<i>16,820,557</i>
Expenses:						
General government	(1,117,810)	(439,215)	-	-	(1,117,810)	(439,215)
Public safety	(4,374,809)	(3,817,182)	-	-	(4,374,809)	(3,817,182)
Highways and streets	(1,128,744)	(3,215,818)	-	-	(1,128,744)	(3,215,818)
Culture and recreation	(2,961,453)	(3,198,380)	-	-	(2,961,453)	(3,198,380)
Interest on long-term debt	(337,515)	(357,421)	-	-	(337,515)	(357,421)
Sewage disposal	-	-	(2,917,079)	(3,488,856)	(2,917,079)	(3,488,856)
Water	-	-	(1,960,357)	(1,786,823)	(1,960,357)	(1,786,823)
Ambulance	-	-	-	(927,316)	-	(927,316)
<i>Total Expenses</i>	<i>(9,920,331)</i>	<i>(11,028,016)</i>	<i>(4,877,436)</i>	<i>(6,202,995)</i>	<i>(14,797,767)</i>	<i>(17,231,011)</i>
Increase (decrease) in net assets before transfers	419,136	(1,360,987)	(86,570)	950,533	332,566	(410,454)
Transfers	325,450	169,360	(325,450)	(169,360)	-	-
Transfer of capital assets	(822,680)	464,379	822,680	(464,379)	-	-
Change in net assets	(78,094)	(727,248)	410,660	316,794	332,566	(410,454)
Net assets - beginning	81,121,586	81,848,834	25,246,974	24,930,181	106,368,560	106,779,015
Net assets - end	<u>\$ 81,043,492</u>	<u>\$ 81,121,586</u>	<u>\$ 25,657,634</u>	<u>\$ 25,246,975</u>	<u>\$ 106,701,126</u>	<u>\$ 106,368,561</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted previously, the City of Dallas uses fund accounting to segregate resources that are restricted to a particular activity. An unreserved fund balance represents the excess of the assets of the fund over its liabilities. Because the fund financial statements focus on current sources and uses of spendable resources, unreserved fund balances relating to each fund may be useful in assessing the government's net resources available.

Governmental Funds. At the end of the audited fiscal year, the City of Dallas' governmental funds reported combined ending fund balances of \$7,403,846, a decrease of \$1,289,762, or 14%, from the prior year. The City's governmental funds include the General fund, the General Obligations Bond fund, Capital Improvements fund, the Systems Development fund and other non-major funds.

The General fund is the chief operating fund of the City. At the end of the audited fiscal year, the General fund reported an unreserved fund balance of \$1,114,009, a decrease of \$200,293 or 15% from the prior year (on the modified accrual basis). As previously stated, the decrease is primarily due to the renovation of buildings for the Police and Fire Departments, and from the inclusion of ambulance services in 2007-08.

The Systems Development fund is used to account for systems development charges (SDC) collected from individuals, builders and developers for new construction. State law requires that SDC fee revenue be spent only on projects related to providing extra capacity required due to growth in the City's population. Therefore, SDC projects generally include paying for the cost of sewer, water and street extensions, expansions or improvements. The fund balance of the Systems Development fund has decreased by \$267,985 or 4% due to completion of major street improvements and water system projects. The fund balance of the Systems Development fund at the end of the fiscal year was \$5,896,499 and represents 80% of the total of all governmental fund balances.

The Capital Improvement fund balance at fiscal year end was \$(515,945). This is a 272% decrease compared to the prior year. The deficit fund balance is the result of funds being spent for the Levens Street bridge project. Funding for the project was provided by the State of Oregon. Much of the revenue was received in the prior year and expended in the current year. Also, there were additional funds still due the City at the end of 2007-08. Reconstruction of the bridge was substantially completed in 2007-2008.

Proprietary Funds. At the end of the current fiscal year, net assets of the proprietary funds equaled \$25,657,634. The change in total net assets of all the proprietary funds was not significant. The Sewer fund net assets increased by \$290,680, primarily due to transfers from other funds. Water fund net assets, including capital contributions, increased by \$140,131, primarily due to transfers from other funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget. Actual revenues (budgetary basis) exceeded budgeted amounts by \$82,437 for several reasons, including additional Municipal Court revenue resulting from increased activity and increased Aquatic Center revenue, although revenue from building permits decreased by almost 34% from the prior year. Also, actual expenditures were almost 5% less than budgeted amounts due primarily to controlled spending of materials and services in several departments. The City continues its commitment to maintaining all facilities and equipment in good condition and providing excellent service to its citizens. It should be noted that approximately \$75,000 of the beginning balance is dedicated to the Building Department and represents revenues in excess of expenditures for the last ten years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Dallas' capital assets for its governmental and business-type activities at the end of the current fiscal year equaled \$115,577,161, net of accumulated depreciation, compared to \$111,369,878 at the end of last fiscal year. Capital assets include land, buildings, improvements, equipment, and infrastructure. The increase in capital assets for governmental activities is due to remodeling of buildings for use by Fire Department and Police Department, and completion of major street improvements. For business-type activities, capital asset additions consisted of completion of sewer and storm projects in the Sewer Department. In the Water Department, additions included completion of an Aquifer Storage and Recovery System (ASR) in the Water Department, which will expand the City's ability to store winter rainfall for customers' use during the dry summer months. Additional information about the City's capital assets is presented in the notes to the financial statements on pages 29 through 30.

Capital Assets June 30, 2008 and 2007

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Land	\$ 892,046	\$ 750,587	\$ 853,981	\$ 853,981	\$ 1,746,027	\$ 1,604,568
Construction in Progress	-	-	3,109,794	-	3,109,794	-
Buildings and improvements	13,235,338	12,913,924	44,347,324	43,216,973	57,582,662	56,130,897
Machinery and equipment	6,806,573	6,577,643	690,832	604,459	7,497,405	7,182,102
Infrastructure	72,152,703	71,012,222	-	-	72,152,703	71,012,222
Accumulated depreciation	(14,052,796)	(13,026,062)	(12,458,634)	(11,533,849)	(26,511,430)	(24,559,911)
<i>Total</i>	<u>\$ 79,033,864</u>	<u>\$ 78,228,314</u>	<u>\$ 36,543,297</u>	<u>\$ 33,141,564</u>	<u>\$ 115,577,161</u>	<u>\$ 111,369,878</u>

Long-term Debt. At the end of the current fiscal year, long-term debt outstanding for the governmental activities totaled \$7,055,000 (excluding compensated absences payable), compared to \$7,500,000 the prior year. For business-type activities, long term debt outstanding totaled \$14,543,749 (excluding compensated absences payable), compared to \$12,281,709 the prior year. The decreases in governmental debt are due to principal payments on debt outstanding. The increase in business-type activity debt is the result of additional \$3,000,000 loan from OECD. Additional information about the City's long-term debt is presented in the notes to the financial statements on pages 31 through 32.

Long-Term Debt June 30, 2008 and 2007

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
General Obligation Bonds	\$ 5,470,000	\$ 5,915,000	\$ -	\$ -	\$ 5,470,000	\$ 5,915,000
Pension Obligation Bonds	1,585,000	1,585,000	-	-	1,585,000	1,585,000
Notes Payable	-	-	14,543,749	12,281,709	14,543,749	12,281,709
<i>Total</i>	<u>\$ 7,055,000</u>	<u>\$ 7,500,000</u>	<u>\$ 14,543,749</u>	<u>\$ 12,281,709</u>	<u>\$ 21,598,749</u>	<u>\$ 19,781,709</u>

INFRASTRUCTURE - MODIFIED APPROACH

The City has elected to report its infrastructure assets using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the City manages its eligible infrastructure assets using an asset management system designed to maintain and reserve these assets at a condition level established and disclosed by the City.

Street values have been recorded based on an estimate of their replacement value adjusted for their condition. Other subsystems of the street infrastructure have been deemed immaterial (such as landscaping, rights-of-way, fencing, guardrails, etc.) or are not the responsibility of the City to maintain (such as sidewalks).

The City uses a pavement management system, which calculates the replacement cost of all City streets based on lane feet and unit cost per linear foot. The total replacement cost was then adjusted for the current pavement condition index. The current pavement condition index for all City streets is a weighted composite of 74. The city has established a policy of maintaining City streets at a weighted composite of between 72 and 75. During the 2007-2008 fiscal year, approximately \$245,000 was spent on maintaining City streets. The pavement management system indicates that a minimum of \$200,000 is required annually to maintain City streets at that level. The City projects that those funds will be available and the streets will be maintained at the level established by the City for at least the next five years. Additional information about the City's use of the Modified Approach is presented in the Required Supplementary Information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

After many years of continued economic improvement, the City of Dallas' economic growth began to slow during this last fiscal year. This mirrored the national slowing in economic growth that affected industry throughout the country. The downturn in the economy has affected two major industrial employers in town – Weyerhaeuser and TTM. During the summer of 2007, Weyerhaeuser, a lumber products manufacturer, reduced the number of employees by 100. TTM, an electronics manufacturer, closed their plant in 2007. The closure affected 320 employees, with approximately ten individuals continuing to work for TTM at their Utah plant. Approximately 40% of TTM's employees lived and worked in Dallas. The Polk Job and Career Center assisted nearly 75% of the displaced workers with additional training or governmental assistance programs. In addition, with the assessed value of TTM's plant at \$25 million, the closure will mean a significant loss of property tax revenue in the General Fund. This closure will also affect user fee revenue in the utility funds. This impact is somewhat offset by the reduction in demand for services resulting from the plant closure. The TTM facilities are very modern and we anticipate the property will be sold within a fairly short period of time and a new industry will replace the lost jobs. Also, the addition of new jobs by smaller manufacturers has helped stabilize the community's economy.

Forest River, a manufacturer of recreational and utility trailers, is anticipating an expansion of the recreational vehicle portion of their production, with an addition of nearly 100 jobs expected. We also anticipate construction of several new commercial buildings at the Jasper Crossing location. Jasper Crossing occupies approximately 12 acres and will be a large commercial center with both office space and retail space. Development began in early 2008. Overall, the commercial sector has continued strong over the past few years, with a significant reduction in vacancy rate for commercial properties. The Dallas Economic Development commission continues its mission of encouraging local economic growth. The goal of the Comprehensive Plan is to increase the number of jobs in the community at a higher rate than the increase in residents, which would mean that fewer citizens would need to commute to work outside our community. As part of this effort, Dallas continues to work with neighboring cities of Monmouth and Independence in a partnership to expand each city's industrial base.

REQUESTS FOR INFORMATION

This financial report is designed to provide the City of Dallas's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to: City of Dallas, 187 SE Court Street, Dallas, Oregon 97338.

BASIC FINANCIAL STATEMENTS

CITY OF DALLAS, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 7,687,620	\$ 3,293,823	\$ 10,981,443
Accounts receivable	285,517	282,549	568,066
Property taxes receivable	220,375	-	220,375
Special assessments	2,075	-	2,075
Inventories	4,765	222,632	227,397
Prepaid pension assets	1,585,000	-	1,585,000
Nondepreciable capital assets	73,044,749	3,963,775	77,008,524
Other capital assets, net of depreciation	5,989,115	32,579,522	38,568,637
<i>Total Assets</i>	88,819,216	40,342,301	129,161,517
LIABILITIES			
Accounts payable	425,074	85,541	510,615
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	906,143	906,143
Bonds payable	475,000	176,000	651,000
Accrued compensated absences	51,026	10,153	61,179
Due in more than one year:			
Notes payable	-	9,609,812	9,609,812
Bonds payable	6,580,000	3,851,794	10,431,794
Accrued compensated absences	244,624	45,224	289,848
<i>Total Liabilities</i>	7,775,724	14,684,667	22,460,391
NET ASSETS			
Investment in capital assets (net of related debt)	73,563,864	21,999,548	95,563,412
Restricted for special purposes			
Construction	5,896,499	-	5,896,499
Donor / grantor restrictions	562,105	-	562,105
Unrestricted	1,021,024	3,658,086	4,679,110
<i>Total Net Assets</i>	<u>\$ 81,043,492</u>	<u>\$ 25,657,634</u>	<u>\$ 106,701,126</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

		<i>Program Revenues</i>	
		<i>Fees, Fines, and Charges for Services</i>	<i>Operating Grants and Contributions</i>
	<i>Expenses</i>		
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	\$ 1,117,810	\$ 792,460	\$ 110,635
Public safety	4,374,809	1,285,393	678,090
Highways and streets	1,128,744	-	648,095
Culture and recreation	2,961,453	507,689	86,620
Interest on long-term debt	337,515	-	-
<i>Total Governmental Activities</i>	9,920,331	2,585,542	1,523,440
Business-type Activities:			
Water	1,960,357	1,881,631	-
Sewer	2,917,079	2,617,239	-
<i>Total Business-type Activities</i>	4,877,436	4,498,870	-
<i>Total Activities</i>	\$ 14,797,767	\$ 7,084,412	\$ 1,523,440
General Revenues:			
Property taxes			
Franchise fees			
Unrestricted intergovernmental revenues			
Miscellaneous			
<i>Total General Revenues</i>			
Transfers			
Transfer of capital assets			
Change in net assets			
Net assets, July 1, 2007			
Net assets, June 30, 2008			

<i>Net Revenues (Expenses) and Changes in Net Assets</i>			
<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 760,048	\$ 545,333	\$ -	\$ 545,333
23,171	(2,388,155)	-	(2,388,155)
264,888	(215,761)	-	(215,761)
170,225	(2,196,919)	-	(2,196,919)
-	(337,515)	-	(337,515)
1,218,332	(4,593,017)	-	(4,593,017)
-	-	(78,726)	(78,726)
-	-	(299,840)	(299,840)
-	-	(378,566)	(378,566)
\$ 1,218,332	(4,593,017)	(378,566)	(4,971,583)
	3,762,441	-	3,762,441
	822,530	-	822,530
	180,474	-	180,474
	246,708	291,996	538,704
	5,012,153	291,996	5,304,149
	325,450	(325,450)	-
	(822,680)	822,680	-
	(78,094)	410,660	332,566
	81,121,586	25,246,974	106,368,560
\$	\$ 81,043,492	\$ 25,657,634	\$ 106,701,126

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	<i>General</i>	<i>Systems Development</i>	<i>General Obligation Bond</i>
ASSETS			
Cash and investments	\$ 649,035	\$ 5,959,770	\$ 201,342
Accounts receivable	253,073	-	-
Property taxes receivable	165,480	-	52,754
Special assessments	-	-	-
Due from other funds	340,254	-	-
<i>Total Assets</i>	<u>\$ 1,407,842</u>	<u>\$ 5,959,770</u>	<u>\$ 254,096</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 126,422	\$ 63,271	\$ -
Due to other funds	-	-	-
Deferred revenue	167,411	-	52,754
<i>Total Liabilities</i>	293,833	63,271	52,754
Fund Balances			
Unreserved, reported in:			
General fund	1,114,009	-	-
Special revenue funds	-	5,896,499	-
Capital projects fund	-	-	-
Debt service funds	-	-	201,342
<i>Total Fund Balances</i>	<u>1,114,009</u>	<u>5,896,499</u>	<u>201,342</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,407,842</u>	<u>\$ 5,959,770</u>	<u>\$ 254,096</u>

<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 699,723	\$ 7,509,870
-	32,444	285,517
-	2,141	220,375
-	2,075	2,075
-	-	340,254
<u>\$ -</u>	<u>\$ 736,383</u>	<u>\$ 8,358,091</u>
\$ 175,691	\$ 24,226	\$ 389,610
340,254	-	340,254
-	4,216	224,381
<u>515,945</u>	<u>28,442</u>	<u>954,245</u>
-	-	1,114,009
-	592,854	6,489,353
(515,945)	-	(515,945)
-	115,087	316,429
<u>(515,945)</u>	<u>707,941</u>	<u>7,403,846</u>
<u>\$ -</u>	<u>\$ 736,383</u>	<u>\$ 8,358,091</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

RECONCILIATION TO THE STATEMENT OF NET ASSETS

<i>Fund Balances</i>	\$ 7,403,846
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	224,381
Prepaid pension assets are recorded on the Statement of Net Assets.	1,585,000
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	
Capital assets, cost	91,225,491
Accumulated depreciation	(12,713,094)
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	
Bonds payable	(7,055,000)
Accrued compensated absences	(244,624)
Internal service funds are proprietary-type funds and not reported with governmental funds. However, because internal service funds primarily benefit governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the Statement of Net Assets.	617,492
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 81,043,492</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	<i>General</i>	<i>Systems Development</i>	<i>General Obligation Bond</i>
REVENUES			
Taxes and assessments	\$ 2,900,224	\$ -	\$ 714,886
Charges for services	1,526,492	-	-
Licenses and permits	205,421	1,162,479	-
Franchise fees	822,530	-	-
Intergovernmental	439,781	-	-
Fines and forfeitures	365,946	-	-
Miscellaneous	168,411	-	-
<i>Total Revenues</i>	<u>6,428,805</u>	<u>1,162,479</u>	<u>714,886</u>
EXPENDITURES			
Current operating:			
General government	1,682,609	-	-
Highways and streets	-	-	-
Culture and recreation	1,804,537	-	-
Public safety	3,533,823	-	-
Capital outlay	117,504	1,430,464	-
Debt service principal	-	-	445,000
Debt service interest	-	-	259,293
<i>Total Expenditures</i>	<u>7,138,473</u>	<u>1,430,464</u>	<u>704,293</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(709,668)</u>	<u>(267,985)</u>	<u>10,593</u>
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Transfers in	551,375	-	-
Transfers out	(42,000)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>509,375</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(200,293)</u>	<u>(267,985)</u>	<u>10,593</u>
FUND BALANCES (DEFICIT), Beginning of year	<u>1,314,302</u>	<u>6,164,484</u>	<u>190,749</u>
FUND BALANCES (DEFICIT), End of year	<u>\$ 1,114,009</u>	<u>\$ 5,896,499</u>	<u>\$ 201,342</u>

<i>Capital Improvements</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 40,983	\$ 3,656,093
-	-	1,526,492
-	-	1,367,900
-	-	822,530
-	1,076,595	1,516,376
-	-	365,946
35,142	854,695	1,058,248
35,142	1,972,273	10,313,585
-	-	1,682,609
-	902,450	902,450
-	12,847	1,817,384
-	-	3,533,823
3,961,328	710,515	6,219,811
-	-	445,000
-	78,222	337,515
3,961,328	1,704,034	14,938,592
(3,926,186)	268,239	(4,625,007)
3,109,795	-	3,109,795
-	42,000	593,375
-	(325,925)	(367,925)
3,109,795	(283,925)	3,335,245
(816,391)	(15,686)	(1,289,762)
300,446	723,627	8,693,608
\$ (515,945)	\$ 707,941	\$ 7,403,846

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Net change in fund balances - total governmental funds \$ (1,289,762)

Amounts reported for governmental activities in the statement of activities are different
because:

Governmental funds defer revenues that do not provide current financial resources.

However, the Statement of Activities recognizes such revenues at their net realizable value
when earned, regardless of when received.

25,882

Governmental funds do not report expenditures for unpaid compensated absences, interest
expense, or arbitrage since they do not require the use of current financial resources.

However, the Statement of Activities reports such expenses when incurred, regardless
of when settlement ultimately occurs.

(13,355)

Capital outlays are reported as expenditures in governmental funds. However, the
Statement of Activities allocates the cost of capital outlay over their estimated useful
lives as depreciation expense.

Capital outlay

4,760,471

Depreciation

(872,841)

Proceeds from the issuance of long-term debt provide current financial resources to
governmental funds and are reported as revenues. In the same way, repayments of
long-term debt use current financial resources and are reported as expenditures in
governmental funds. However, neither the receipt of debt proceeds nor the payment of
debt principal affect the Statement of Activities, but are reported as increases and
decreases in noncurrent liabilities in the Statement of Net Assets.

debt principal paid

445,000

proceeds from issuance of debt

(3,109,795)

Internal service funds are used by management to charge the costs of certain activities,
such as insurance and facilities and fleet services, to individual funds. The net revenue
(expense) of certain internal service funds is reported with governmental activities.

(23,694)

Change in net assets of governmental activities

\$ (78,094)

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**

JUNE 30, 2008

	<i>Business-type Activities - Enterprise Funds</i>		
	<i>Sewer</i>	<i>Water</i>	<i>Outside Water</i>
ASSETS			
Current assets			
Cash and investments	\$ 2,042,120	\$ 1,124,401	\$ 127,302
Accounts receivable	157,652	124,313	584
Inventories	34,294	188,338	-
<i>Total Current Assets</i>	2,234,066	1,437,052	127,886
Noncurrent assets			
Capital assets	22,924,397	13,618,900	-
<i>Total Assets</i>	25,158,463	15,055,952	127,886
LIABILITIES			
Current liabilities			
Accounts payable	15,173	55,518	14,850
Compensated absences payable	4,115	4,626	-
Notes payable - current portion	677,754	-	-
Bonds payable - current portion	-	170,000	-
<i>Total Current Liabilities</i>	697,042	230,144	14,850
Noncurrent liabilities			
Compensated absences payable	14,426	32,210	-
Note payable	9,838,201	-	-
Bonds payable	-	3,857,794	-
<i>Total Liabilities</i>	10,549,669	4,120,148	14,850
NET ASSETS			
Investment in capital assets (net of related debt)	12,408,442	9,591,106	-
Unrestricted	2,200,352	1,344,698	113,036
<i>Total Net Assets</i>	\$ 14,608,794	\$ 10,935,804	\$ 113,036

		<i>Governmental Activities</i>
		<i>Total</i>
<i>Totals</i>		<i>Internal Service Funds</i>
\$ 3,293,823	\$ 177,750	
282,549	-	
222,632	4,765	
3,799,004	182,515	
36,543,297	521,467	
40,342,301	703,982	
85,541	35,464	
8,741	-	
677,754	-	
170,000	-	
942,036	35,464	
46,636	51,026	
9,838,201	-	
3,857,794	-	
14,684,667	86,490	
21,999,548	521,467	
3,658,086	96,025	
\$ 25,657,634	\$ 617,492	

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**
YEAR ENDED JUNE 30, 2008

	<i>Business-type Activities - Enterprise Funds</i>		
	<i>Sewer</i>	<i>Water</i>	<i>Outside Water</i>
OPERATING REVENUES			
Charges for services	\$ 2,617,239	\$ 1,859,581	\$ 22,050
Miscellaneous	137,650	19,863	-
<i>Total Operating Revenues</i>	2,754,889	1,879,444	22,050
OPERATING EXPENSES			
Personal services	628,646	751,796	1,891
Materials and services	1,198,721	804,481	40,310
Depreciation	600,501	324,284	-
<i>Total Operating Expenses</i>	2,427,868	1,880,561	42,201
OPERATING INCOME (LOSS)	327,021	(1,117)	(20,151)
NONOPERATING REVENUES (EXPENSES)			
Interest income	85,080	49,403	-
Interest expense	(489,211)	(37,595)	-
<i>Total Nonoperating Revenue (Expenses)</i>	(404,131)	11,808	-
INCOME BEFORE TRANSFERS	(77,110)	10,691	(20,151)
Transfers in	551,990	270,690	-
Transfers out	(184,200)	(141,250)	-
CHANGE IN NET ASSETS	290,680	140,131	(20,151)
NET ASSETS, Beginning of year	14,318,114	10,795,673	133,187
NET ASSETS, End of year	\$ 14,608,794	\$ 10,935,804	\$ 113,036

	<i>Governmental Activities</i>
<i>Totals</i>	<i>Total Internal Service Funds</i>
\$ 4,498,870	\$ 1,141,520
157,513	438,316
4,656,383	1,579,836
1,382,333	902,694
2,043,512	646,943
924,785	153,893
4,350,630	1,703,530
305,753	(123,694)
134,483	-
(526,806)	-
(392,323)	-
(86,570)	(123,694)
822,680	100,000
(325,450)	-
410,660	(23,694)
25,246,974	641,186
\$ 25,657,634	\$ 617,492

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2008

	<i>Enterprise Funds</i>	
	<i>Sewer</i>	<i>Water</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collected from customers	\$ 2,733,271	\$ 1,887,787
Paid to suppliers	(1,270,133)	(790,690)
Paid to employees	(635,840)	(743,882)
<i>Net Cash Provided by (Used in) Operating Activities</i>	827,298	353,215
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Transfers out	(184,200)	(141,250)
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(184,200)	(141,250)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(307,672)	(3,196,167)
Principal paid on contracts/bonds payable	(677,754)	(170,000)
Issuance of debt	-	3,109,794
Interest paid	(489,211)	(37,595)
<i>Net Cash Used in Capital Related Financing Activities</i>	(1,474,637)	(293,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	85,080	49,403
<i>Increase (Decrease) in Cash and Investments</i>	(746,459)	(32,600)
CASH AND INVESTMENTS, Beginning of year	2,788,579	1,157,001
CASH AND INVESTMENTS, End of year	\$ 2,042,120	\$ 1,124,401
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 327,021	\$ (1,117)
Depreciation	600,501	324,284
<i>Change in assets and liabilities</i>		
Accounts receivable	(21,618)	8,343
Inventory	12	6,653
Accounts payable and accrued liabilities	(71,424)	7,138
Compensated absences payable	(7,194)	7,914
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ 827,298	\$ 353,215
NONCASH FINANCING ACTIVITIES		
Contribution of capital assets from (to) governmental activities	\$ 551,990	\$ 270,690

<i>Enterprise Funds</i>		<i>Governmental Activities</i>
<i>Outside Water</i>	<i>Totals</i>	<i>Total Internal Service Funds</i>
\$ 22,011	\$ 4,643,069	\$ 1,579,836
(25,460)	(2,086,283)	(653,140)
(1,891)	(1,381,613)	(895,694)
(5,340)	1,175,173	31,002
-	-	100,000
-	(325,450)	-
-	(325,450)	100,000
-	(3,503,839)	(181,607)
-	(847,754)	-
-	3,109,794	-
-	(526,806)	-
-	(1,768,605)	(181,607)
-	134,483	-
(5,340)	(784,399)	(50,605)
132,642	4,078,222	228,355
\$ 127,302	\$ 3,293,823	\$ 177,750
\$ (20,151)	\$ 305,753	\$ (123,694)
-	924,785	153,893
(39)	(13,314)	-
-	6,665	601
14,850	(49,436)	(6,798)
-	720	7,000
\$ (5,340)	\$ 1,175,173	\$ 31,002
\$ -	\$ 822,680	\$ -

The accompanying notes are an integral part of the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Dallas, Oregon (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The Financial Reporting Entity

The City of Dallas, Oregon is governed by an elected mayor and nine council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2008.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

Basic Financial Statements

The government-wide financial statements report information on all activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees, fines, and charges for services.

The Statement of Activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include (1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The government-wide and proprietary fund financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are included in the Statement of Net Assets and the Statement of Fund Net Assets. The increases and decreases in those net assets are presented in the government-wide Statement of Activities and in the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. The City has elected not to apply FASB guidance issued subsequent to November 30, 1989 to business-type activities and to enterprise funds, unless specifically adopted by the GASB.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule, the effect of interfund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Operating revenues and operating expenses are intermediate components within the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets, and include only those transactions that constitute their principal, ongoing activities exclusive of investing or financing transactions. Significant operating revenues include charges for services and rental income. Significant operating expenses include personnel, materials and supplies, outside services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recorded only when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures other than interest on noncurrent obligations, are recorded when the fund liability is incurred.

Real and personal property taxes are levied as of July 1 for each fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Polk County and remitted to the City.

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements (Continued)

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Rental income is typically received in advance and is deferred when appropriate.

Special assessments receivable and repayment of revolving loans expected to be collected within sixty days after year end are considered measurable and available and are recognized as revenue. Assessment installments that are long-term are offset by deferred revenues.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

The reporting model sets forth minimum criteria (percentage of the assets liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

- General Fund
- Systems Development Fund
- General Obligation Bond Fund
- Capital Improvements Fund

The City reports the following major proprietary funds:

- Sewer Fund
- Water Fund
- Outside Water Fund

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2008. Actual results may differ from such estimates.

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. Investments are reported at fair value.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the enterprise funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types, which have been collected within thirty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Polk County, Oregon.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Interest earned on assessments in the governmental fund types is accrued when due and is approximately offset by the related improvement bond interest expenditure which is also recognized when due.

Inventory

Inventory in the proprietary funds is stated at cost (first-in, first-out basis) and is charged to expense as used.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value as of the date of the donation.

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Infrastructure assets include roads, bridges, and underground pipe (other than that of the enterprise fund). These infrastructure assets are likely to be the largest assets class of the City. GAAP allows governments to use a modified approach for reporting infrastructure assets. This modified approach requires the government to manage its eligible infrastructure assets using an asset management system and to document that the eligible infrastructure assets are being preserved at or above a condition level established and disclosed by the government.

The City of Dallas has elected to use the modified approach for reporting its infrastructure assets. Using a pavement management system, the City has inventoried all City streets, assigned a condition category to each section of street, and arrived at an overall weighted composite index for all streets. The pavement management system allows the City to calculate a replacement cost for all functional classes of streets using line feet and unit cost per linear foot. The total replacement cost was then adjusted for the current pavement condition index to arrive at an estimated value for City streets. The costs of maintenance and preservation that do not add to the asset's capacity or efficiency are not capitalized. It is anticipated that funds will be available for the City to maintain streets at the condition level established by the government.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

Buildings	20-50 years
Water and sewer system	30-50 years
Machinery and equipment	5-20 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Assets. Repayment of general bonded debt will be made from General Obligation Bond Fund.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for vacation pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Vacation amounts are paid from the same fund as the employee's payroll, primarily the General fund and the Street fund.

Restricted Net Assets

Net revenues received by the City which are restricted by donors or legislation are reported as restricted net assets. Such net revenues include system development charges (SDC's), state gas tax, and designated donations or grants.

Budget and Budgetary Accounting

Annual budgets for all funds are adopted on the modified accrual basis of accounting, which is consistent with Oregon Revised Statutes. All annual appropriations lapse at year end.

The City is required to budget for all funds. The budget is prepared by fund, department, activity and line, and includes information on the past two years' actual expenditures as well as current-year estimates. Each April, the City Manager submits a proposed budget to the Budget Committee. The Budget Committee consists of members of the City Council and a like number of citizens of the City. Before June 30 each year, the proposed budget is presented to the full City Council for review.

The Council holds public hearings, and a final budget must be prepared and legally adopted no later than June 30. The resolution establishes appropriations for each fund, and expenditures cannot legally exceed these appropriations at the levels of personal services, materials and services, capital outlay, debt service, or other expenditures for each fund or, in the case of the General Fund, Trust/Reserve Fund and Central Services Fund for each department.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may also be added to the budget through the use of a supplemental budget. The City adopted one supplemental budget during the year.

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

ORGANIZATION AND OPERATION

The City's financial operations are accounted for in the following funds and account groups:

Governmental Fund Types

General Fund

The General Fund is the City's primary operation fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenues are property taxes, charges for services and licenses

Special Revenue Funds

The special revenue funds account for revenue derived from specific tax or other earmarked revenue sources, including state gas tax, grants and funds set aside to finance particular functions or activities. Funds included in this category are:

Systems Development Fund - This fund accounts for construction of oversize sewers, over-wide streets, water mains and other related needs.

Street Fund - This fund accounts for state highway apportionment, federal funds, and grants, which are restricted to road maintenance.

Revenue Sharing Fund - This fund accounts for receipts from the State Revenue Sharing Program.

Trust/Reserve Fund - This fund accounts for funds dedicated to specific purposes, including donations and bail monies held pending disposition of municipal court cases.

Grants Fund - This fund accounts for major grants to the City.

Urban Renewal Fund - This fund accounts for the City's urban renewal activities.

Debt Service Funds

General Obligation Bond Fund

The General Obligations Bond Fund is a debt service fund used to account for the resources and payment of long-term debt.

Improvement Bond Fund

The Improvement Bond Fund is a debt service fund that accounts for interest revenue on bond proceeds.

General Debt Fund

The General Debt Fund was established to pay principal and interest on the City's PERS pension obligation bonds.

CITY OF DALLAS, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

ORGANIZATION AND OPERATION (Continued)

Capital Projects Fund

Capital Improvements Fund

The Capital Improvements Fund is used to account for capital projects-related activity.

Proprietary Fund Types

Enterprise Funds

The City has three enterprise funds. These funds account for the acquisition, operation and maintenance of the municipal sewer and water systems.

Sewer Fund - This fund accounts for sewer operation of the City's sewer utilities.

Water Fund - This fund accounts for the operation of the City's water department.

Outside Water Fund - This fund accounts for water service provided to customers outside the city limits.

Internal Service Funds

The City has two internal service funds. These funds account for services provided to other City funds and departments.

Shop Service Fund - This fund is used to account for equipment rentals to other funds of the City.

Central Services Fund - This fund is used to account for central services charged for expenses incurred by the mayor and city council, the City manager's office, the finance department and the City attorney.

CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed on the Statement of Net Assets as part of "cash and investments."

Cash and investments are comprised of the following at June 30, 2008:

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

CASH AND INVESTMENTS (Continued)

Cash

Cash on hand	\$ 645
Deposits with financial institutions	1,709,777
Cash held by fiscal agents	50,713
Certificates of deposit	2,480,445

Investments

Local Government Investment Pool	6,739,863
	<hr/>
	\$ 10,981,443
	<hr/>

Deposits

At year end, the book balance of the City's deposit accounts is \$4,190,222 and the bank balance is \$4,517,984. The difference is due to transactions in process. The first \$395,482 is insured by Federal Depository Insurance. Certificates of deposit and the remaining deposit amounts are secured by collateral in accordance with Oregon Revised Statutes.

Custodial Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the City. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Investments

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others. The City's investment policy follows state statutes.

CITY OF DALLAS, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2008**

CASH AND INVESTMENTS (Continued)*Investments (continued)*

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The fair value of the City's position in the LGIP is approximately the same as the value of the LGIP shares. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. However, the City manages its exposure to declines in fair value of its investments by substantially limiting its investments to the Local Government Investment Pool.

The City has concentration in the following investments:

<u>Investment Type</u>	<u>Credit Risk</u>	<u>Maturities</u>	<u>% of Portfolio</u>	<u>Amount</u>
Local Government Investment Pool	Not rated	Avg 6-18 months	100.00%	\$ 6,739,863

CITY OF DALLAS, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2008****CAPITAL ASSETS**

The changes in capital assets for business-type activities for the year ended June 30, 2008 is as follows:

	<i>Balances July 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2008</i>
Business-type activities:				
Nondepreciable:				
Land	\$ 853,981	\$ -	\$ -	\$ 853,981
Construction in progress	-	3,109,794		3,109,794
Total nondepreciable	853,981	3,109,794	-	3,963,775
Depreciable:				
Buildings and improvements	43,216,973	1,130,351	-	44,347,324
Machinery and equipment	604,459	86,373	-	690,832
Total depreciable	43,821,432	1,216,724	-	45,038,156
Accumulated depreciation:				
Buildings and improvements	(11,104,456)	(864,339)	-	(11,968,795)
Machinery and equipment	(429,393)	(60,446)	-	(489,839)
Total accumulated depreciation	(11,533,849)	(924,785)	-	(12,458,634)
Total capital assets being depreciated, net	32,287,583	291,939	-	32,579,522
Capital assets, net	\$ 33,141,564	\$ 3,401,733	\$ -	\$ 36,543,297

Depreciation expense is allocated to business-type functions as follows:

Sewer	\$ 600,501
Water	324,284
	<u>\$ 924,785</u>

CITY OF DALLAS, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2008****CAPITAL ASSETS (Continued)**

The changes in capital assets for the governmental activities for the year ended June 30, 2008 is as follows:

	<i>Balances July 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2008</i>
Governmental activities:				
Nondepreciable:				
Land	\$ 750,587	\$ 141,459	\$ -	\$ 892,046
Infrastructure	71,012,222	1,140,481	-	72,152,703
Total nondepreciable	71,762,809	1,281,940	-	73,044,749
Depreciable:				
Buildings and improvements	12,913,924	321,414	-	13,235,338
Machinery and equipment	6,577,643	228,930	-	6,806,573
Total depreciable	19,491,567	550,344	-	20,041,911
Accumulated depreciation:				
Buildings and improvements	(6,366,581)	(368,970)	-	(6,735,551)
Machinery and equipment	(6,659,481)	(657,764)	-	(7,317,245)
Total accumulated depreciation	(13,026,062)	(1,026,734)	-	(14,052,796)
Total capital assets being depreciated, net	6,465,505	(476,390)	-	5,989,115
Capital assets, net	\$ 78,228,314	\$ 805,550	\$ -	\$ 79,033,864

Depreciation on internal service capital assets in the amount of \$153,893 is included in general government expenses. All depreciation on governmental capital assets is allocated to governmental functions on the statement of activities as follows:

General government	\$ 424,474
Public safety	148,383
Culture and recreation	453,877
	<u>\$ 1,026,734</u>

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

LONG-TERM DEBT

Long-term debt transactions for the year were as follows:

	<u>Outstanding July 1, 2007</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2008</u>	<u>Due Within One Year</u>
Governmental activities					
Series 1999, original amount \$6,145,000, interest rate is 4.95%, final payment due June 30, 2018	\$ 625,000	\$ -	\$ (305,000)	\$ 320,000	\$ 320,000
Series 2003, original amount \$850,000, interest at rates from 4.25% to 5%, final payment due June 1, 2019	755,000	-	(40,000)	715,000	50,000
Series 2005, original amount \$4,695,000, interest at rates from 3.50% to 4.00 %, final payment due June 1, 2019	4,535,000	-	(100,000)	4,435,000	100,000
2005 PERS bonds, original amount \$1,585,000 interest at rates from 4.38% to 5.00%, final payment due June 1, 2028	1,585,000	-	-	1,585,000	5,000
Total Governmental	<u>\$ 7,500,000</u>	<u>\$ -</u>	<u>\$ (445,000)</u>	<u>\$ 7,055,000</u>	<u>\$ 475,000</u>
Business-type activities					
	<u>Outstanding July 1, 2007</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2008</u>	<u>Due Within One Year</u>
Sewage 1998, original amount \$523,000, interest rate is 4.74%, final payment due December 1, 2017	\$ 348,614	\$ -	\$ (24,199)	\$ 324,415	\$ 24,386
Sewage DEQ, original amount \$14,500,000, interest rate is 3.93%, final payment due February 1, 2020	10,845,095	-	(653,555)	10,191,540	679,491
Water 2005 Refunding, original amount \$1,347,000 interest rate 3.75%, final payment due December 1, 2012	1,088,000	-	(170,000)	918,000	176,000
OECD Safe Drinking Water loan, original amount \$5,650,000, interest rate 3.38%, final payment due December 1, 2028	-	3,109,794	-	3,109,794	202,266
Total Business-type	<u>\$ 12,281,709</u>	<u>\$ 3,109,794</u>	<u>\$ (847,754)</u>	<u>\$ 14,543,749</u>	<u>\$ 1,082,143</u>

CITY OF DALLAS, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2008****LONG-TERM DEBT (Continued)**

Future debt service requirements are as follows. Business-type activity debt is shown for the full amount of the OECD Safe Drinking Water loan. This loan was only partially disbursed at June 30, 2008.

Governmental Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	475,000	318,095	793,095
2010	470,000	297,047	767,047
2011	495,000	277,547	772,547
2012	525,000	256,853	781,853
2013	555,000	234,888	789,888
2014-18	2,865,000	758,917	3,623,917
2019-23	930,000	283,887	1,213,887
2024-2028	740,000	115,336	855,336
	<u>\$ 7,055,000</u>	<u>\$ 2,542,570</u>	<u>\$ 9,597,570</u>

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	1,082,143	778,067	1,860,210
2010	1,128,143	635,865	1,764,008
2011	1,170,455	588,822	1,759,277
2012	1,214,135	539,979	1,754,114
2013	1,227,231	489,882	1,717,113
2014-18	5,926,233	1,724,315	7,650,548
2019-23	3,554,084	569,285	4,123,369
2024-28	1,781,531	184,649	1,966,180
	<u>\$ 17,083,955</u>	<u>\$ 5,510,864</u>	<u>\$ 22,594,819</u>

The agreement with the DEQ requires the City to maintain a minimum cash balance equal to the subsequent year's debt service requirements. At June 30, 2008 this amount was \$1,122,864. Cash in the Sewer Fund exceeded this amount at all times during the year.

CITY OF DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Funding Status

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. For rate changes implemented July 1, 2005, the PERB voted to phase in the rate changes for PERS (for most employers a rate increase). On July 1, 2007 the City's rate decreased to 4.07 percent based on the 2005 valuation.

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. These rates were 13.55 percent and 16.82 percent, respectively, on July 1, 2007 based on the December 31, 2005 valuation.

Annual Pension Cost

The City's contributions to PERS for the fiscal years ending June 30, 2006, 2007, and 2008 were \$681,032, \$861,729, and \$877,215, respectively, which equaled the required contribution for the year.

CITY OF DALLAS, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2008****COMPENSATED ABSENCES**

	<i>Outstanding July 1, 2007</i>	<i>Earned</i>	<i>Redeemed</i>	<i>Outstanding June 30, 2008</i>	<i>Due Within One Year</i>
Governmental	\$ 275,296	\$ 226,826	\$ (206,472)	\$ 295,650	\$ 51,026
Business-type	54,658	41,713	(40,994)	55,377	10,153
	<u>\$ 329,954</u>	<u>\$ 268,539</u>	<u>\$ (247,466)</u>	<u>\$ 351,027</u>	<u>\$ 61,179</u>

TRANSFERS

<i>Transfers In</i>	<i>Transfers Out</i>				
	<i>General</i>	<i>Sewer</i>	<i>Water</i>	<i>All Other Funds</i>	<i>Total</i>
General	\$ -	\$ 144,200	\$ 101,250	\$ 305,925	\$ 551,375
Street	42,000	-	-	-	42,000
Shop Service	-	40,000	40,000	20,000	100,000
	<u>\$ 42,000</u>	<u>\$ 184,200</u>	<u>\$ 141,250</u>	<u>\$ 325,925</u>	<u>\$ 693,375</u>

Transfers on the modified accrual basis are different from transfer on the full accrual basis due to capital assets acquired by the Systems Development Fund being transferred to the enterprise funds. Such transfers are not reported on the modified accrual basis of accounting but are recorded on the full accrual basis.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend then, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

CITY OF DALLAS, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2008**

OVEREXPENDITURE OF APPROPRIATIONS AND DEFICIT FUND BALANCES

The City had the following appropriation overexpenditures during the year.

<u>Fund</u>	<u>Category</u>	<u>Amount</u>
Street	Capital outlay	\$ 500
Central Services	Finance office	11,179

At June 30, 2008, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Capital Improvements	\$ 515,945
Central Services	44,515

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DALLAS, OREGON

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

YEAR ENDED JUNE 30, 2008

The City has elected to use the modified approach for reporting its infrastructure assets. Using a pavement management system, the City has inventoried all City streets, assigned a condition category to each section of street, and arrived at an overall weighted composite index for all streets. The pavement management system allows the City to calculate a replacement cost for all functional classes of streets using lane feet and unit cost per linear foot. The total replacement cost was then adjusted for the current pavement condition index to arrive at an estimated value for City streets. The costs of maintenance and preservation that do not add to the asset's capacity or maintain streets at the condition level established by the government are expensed. It is anticipated that funds will be available for the City to maintain streets at the condition level established by the City.

The City has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the City can demonstrate that the assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The City owns approximately 988,000 lane feet of streets. This fiscal year's statements include the City's streets, bridges and traffic signals in infrastructure. The estimated total value of the City's infrastructure included in this year's audit is \$72,152,703.

Streets

The City's pavement management system is a computer software package currently in use by more than 200 cities, counties, airports, and consulting firms. It provides users with a management tool to perform many functions, including inventory, condition assessment, condition forecasting, economic analysis and budget forecasting, and annual and long-range maintenance and rehabilitation work planning. The pavement management system divides networks into branches and sections. A branch is a readily identifiable part of a network and has a distinct function as a street. Because a street may not have consistent characteristics for its entire length, a branch is often divided into sections. Factors that are considered when dividing a branch into sections include pavement structure, traffic, construction history, functional classification, drainage facilities and shoulders, and condition.

Because the pavement management system provides detailed information on the condition of streets, it assists management in making optimal maintenance and budgetary decisions. The Pavement Condition Index (PCI) is the basis for the management system and is a composite index of the pavement's structural integrity and operating condition based on a visual inspection of sample portions. The PCI is a measurement scale, which ranges from 0 (failed) to 100 (excellent), for determining a pavement's condition. It is based on measured distress type, severity, and amount. Nineteen different pavement distresses have been identified and include alligator cracking, bleeding, potholes, edge cracking, depressions, etc. Each distress is then rated for severity (low, medium, and high) and quantity (for example, 10 square feet). Strict definitions exist for the distresses and their severity, resulting in a highly accurate and quantifiable measure of pavement condition.

GAAP state that a government's asset management system must meet the following minimum requirements in order for the government to use the modified approach for infrastructure reporting:

- a. Have an up-to-date inventory of eligible infrastructure assets.
- b. Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- c. Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

The pavement management system used by the City allows the City of Dallas to meet these requirements.

CITY OF DALLAS, OREGON

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH (Continued)

YEAR ENDED JUNE 30, 2008

The City completed a condition assessment of all streets in 2006. The pavement management system divides streets into four functional classifications, including arterial, collector, residential/local and other. The system assigns a condition class to a percentage of each classification. Condition classes are ranked "Very Good" (PCI of 75 - 100), "Good" (PCI of 55 - 75), "Poor" (PCI of 30 - 55), and "Very Poor" (PCI of 0 - 30). The calculations of the management system indicate that 66.9% of City streets rank as "Very Good," 19.4% are ranked at "Good," 11.2% are ranked as "Poor," and only 2.5% are ranked as "Very Poor." The weighted composite index of all City streets is 74.

The pavement management system also allows the City to project the costs of maintaining the streets at a certain level. The City's policy is to maintain streets at a weighted composite index between 72 and 75. Analysis indicates that the City would be required to spend approximately \$200,000 each year to maintain streets at a weighted composite index between 72 and 75. Following is information regarding the actual expenditures for street maintenance for the last five fiscal years:

<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2004-2005</u>	<u>2003-2004</u>
\$ 392,533	\$ 245,333	\$ 244,280	\$ 246,487	\$ 125,000

Funding sources for street maintenance include federal highway funds, charges to the Sewer and Water Departments for trenching of the streets, and funds provided to the City from State gas tax and motor vehicle title and registration fees. The adopted 2005-2006 budget includes over \$200,000 for street maintenance. It is anticipated that funding for street maintenance will continue at that level in the future, allowing the City to maintain a composite index of approximately 75.

GASB No. 34 allows governments to use the modified approach as long as at least one complete condition assessment is available and the government documents that the eligible infrastructure assets are being preserved approximately at (or above) the condition level the government has established and disclosed. Although the City of Dallas also performed a pavement condition assessment in 1994, the weighted composite index from that assessment is not available and would not be comparable due to the addition of many new streets in the City.

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (MODIFIED ACCRUAL BASIS)
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Taxes and assessments	\$ 2,891,927	\$ 2,891,927	\$ 2,900,224	\$ 8,297
Charges for services	1,340,000	1,340,000	1,526,492	186,492
Licenses and permits	401,000	401,000	205,421	(195,579)
Franchise fees	860,000	860,000	822,530	(37,470)
Intergovernmental	438,441	438,441	439,781	1,340
Fines and forfeitures	280,000	280,000	365,946	85,946
Miscellaneous	135,000	135,000	168,411	33,411
<i>Total Revenues</i>	6,346,368	6,346,368	6,428,805	82,437
<i>EXPENDITURES</i>				
Municipal Court	308,481	358,481	357,680	801
Ambulance department	994,324	994,324	978,341	15,983
Fire Department	778,737	778,737	718,958	59,779
Police Department	2,442,544	2,547,544	2,544,991	2,553
Library	550,644	550,644	470,602	80,042
Community Development Facilities	15,328	15,328	15,328	-
Community Development Parks	252,398	252,398	233,982	18,416
Community Development Recreation	152,851	167,851	144,970	22,881
Community Development Aquatic	871,903	973,903	962,121	11,782
Community Development Inspections	432,669	432,669	400,450	32,219
Community Development Planning	291,517	291,517	262,916	28,601
Non-Departmental & Contingency	435,000	163,000	48,134	114,866
<i>Total Expenditures</i>	7,526,396	7,526,396	7,138,473	387,923
<i>REVENUES OVER (UNDER)</i>				
<i>EXPENDITURES</i>	(1,180,028)	(1,180,028)	(709,668)	470,360
<i>OTHER FINANCING SOURCES (USES)</i>				
Transfers in	571,325	571,325	551,375	(19,950)
Transfers out	(42,000)	(42,000)	(42,000)	-
<i>Total Other Financing Sources (Uses)</i>	529,325	529,325	509,375	(19,950)
<i>NET CHANGE IN FUND BALANCE</i>	(650,703)	(650,703)	(200,293)	450,410
<i>FUND BALANCE, Beginning of year</i>	1,464,928	1,464,928	1,314,302	(150,626)
<i>FUND BALANCE, End of year</i>	\$ 814,225	\$ 814,225	\$ 1,114,009	\$ 299,784

CITY OF DALLAS, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SYSTEMS DEVELOPMENT FUND (MODIFIED ACCRUAL BASIS)
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,805,000	\$ 1,805,000	\$ 1,162,479	\$ (642,521)
EXPENDITURES				
Capital outlay	7,936,105	7,936,105	1,430,464	6,505,641
REVENUES OVER (UNDER) EXPENDITURES	(6,131,105)	(6,131,105)	(267,985)	5,863,120
FUND BALANCE, Beginning of year	6,131,105	6,131,105	6,164,484	33,379
FUND BALANCE, End of year	\$ -	\$ -	\$ 5,896,499	\$ 5,896,499

OTHER SUPPLEMENTARY INFORMATION

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 720,000	\$ 720,000	\$ 714,886	\$ (5,114)
EXPENDITURES				
Debt service	704,295	704,295	704,293	2
REVENUES OVER (UNDER) EXPENDITURES	15,705	15,705	10,593	(5,112)
FUND BALANCE, Beginning of year	204,118	204,118	190,749	(13,369)
FUND BALANCE, End of year	<u>\$ 219,823</u>	<u>\$ 219,823</u>	<u>\$ 201,342</u>	<u>\$ (18,481)</u>

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 950,000	\$ 50,000	\$ 35,142	\$ (14,858)
EXPENDITURES				
Capital outlay	7,800,000	6,900,000	3,961,328	2,938,672
REVENUES OVER (UNDER) EXPENDITURES	(6,850,000)	(6,850,000)	(3,926,186)	2,923,814
OTHER FINANCING SOURCES (USES)				
Loan proceeds	5,650,000	5,650,000	3,109,795	(2,540,205)
NET CHANGE IN FUND BALANCE	(1,200,000)	(1,200,000)	(816,391)	383,609
FUND BALANCE (DEFICIT), Beginning of year	1,200,000	1,200,000	300,446	(899,554)
FUND BALANCE (DEFICIT), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (515,945)</u>	<u>\$ (515,945)</u>

CITY OF DALLAS, OREGON**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2008

	<i>Special Revenue</i>		
	<i>Street</i>	<i>Revenue Sharing</i>	<i>Trust/Reserve</i>
ASSETS			
Cash and investments	\$ 117,182	\$ 345	\$ 370,152
Accounts receivable	21,722	-	10,722
Property taxes receivable	-	-	-
Special assessments	-	-	-
<i>Total Assets</i>	<u>\$ 138,904</u>	<u>\$ 345</u>	<u>\$ 380,874</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 10,346	\$ -	\$ 8,988
Deferred revenue	-	-	-
<i>Total Liabilities</i>	10,346	-	8,988
Fund Balances			
Unreserved, reported in:			
Special revenue funds	128,558	345	371,886
Debt service fund	-	-	-
<i>Total Fund Balances</i>	<u>128,558</u>	<u>345</u>	<u>371,886</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 138,904</u>	<u>\$ 345</u>	<u>\$ 380,874</u>

<i>Debt Service</i>			
<i>Grants</i>	<i>Urban Renewal</i>	<i>Improvement Bond</i>	<i>Totals</i>
\$ 63,184	\$ 33,773	\$ 115,087	\$ 699,723
-	-	-	32,444
-	2,141	-	2,141
-	-	2,075	2,075
<u>\$ 63,184</u>	<u>\$ 35,914</u>	<u>\$ 117,162</u>	<u>\$ 736,383</u>
\$ 1,523	\$ 3,369	\$ -	\$ 24,226
-	2,141	2,075	4,216
1,523	5,510	2,075	28,442
61,661	30,404	-	592,854
-	-	115,087	115,087
61,661	30,404	115,087	707,941
<u>\$ 63,184</u>	<u>\$ 35,914</u>	<u>\$ 117,162</u>	<u>\$ 736,383</u>

CITY OF DALLAS, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	<i>Special Revenue</i>		
	<i>Street</i>	<i>Revenue Sharing</i>	<i>Trust/Reserve</i>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ 1,074
Intergovernmental	774,510	110,635	-
Miscellaneous	34,247	-	234,832
<i>Total Revenues</i>	808,757	110,635	235,906
EXPENDITURES			
Current operating:			
Highways and streets	902,450	-	-
Culture and recreation	-	-	-
Capital outlay	1,500	-	252,961
Debt service	-	-	-
<i>Total Expenditures</i>	903,950	-	252,961
REVENUES OVER (UNDER) EXPENDITURES	(95,193)	110,635	(17,055)
OTHER FINANCING SOURCES (USES)			
Transfers in	42,000	-	-
Transfers out	(20,000)	(114,000)	-
<i>Total Other Financing Sources (Uses)</i>	22,000	(114,000)	-
NET CHANGE IN FUND BALANCES	(73,193)	(3,365)	(17,055)
FUND BALANCES, Beginning of year	201,751	3,710	388,941
FUND BALANCES, End of year	\$ 128,558	\$ 345	\$ 371,886

<i>Debt Service</i>				
<i>Grants</i>	<i>Urban Renewal</i>	<i>Improvement Bond</i>	<i>General Debt</i>	<i>Totals</i>
\$ -	\$ 39,909	\$ -	\$ -	\$ 40,983
191,450	-	-	-	1,076,595
10,000	3,448	493,946	78,222	854,695
201,450	43,357	493,946	78,222	1,972,273
-	-	-	-	902,450
12,847	-	-	-	12,847
-	70,851	385,203	-	710,515
-	-	-	78,222	78,222
12,847	70,851	385,203	78,222	1,704,034
188,603	(27,494)	108,743	-	268,239
-	-	-	-	42,000
(191,925)	-	-	-	(325,925)
(191,925)	-	-	-	(283,925)
(3,322)	(27,494)	108,743	-	(15,686)
64,983	57,898	6,344	-	723,627
\$ 61,661	\$ 30,404	\$ 115,087	\$ -	\$ 707,941

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - STREET FUND****YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 780,550	\$ 780,550	\$ 774,510	\$ (6,040)
Miscellaneous	13,000	13,000	34,247	21,247
<i>Total Revenues</i>	793,550	793,550	808,757	15,207
EXPENDITURES				
Personal services	364,507	379,507	357,456	22,051
Materials and services	564,624	584,624	544,994	39,630
Capital outlay	1,000	1,000	1,500	(500)
Contingency	97,755	62,755	-	62,755
<i>Total Expenditures</i>	1,027,886	1,027,886	903,950	123,936
REVENUES OVER (UNDER) EXPENDITURES	(234,336)	(234,336)	(95,193)	139,143
OTHER FINANCING SOURCES (USES)				
Transfers in	42,000	42,000	42,000	-
Transfers out	(20,000)	(20,000)	(20,000)	-
<i>Total Other Financing Sources (Uses)</i>	22,000	22,000	22,000	-
NET CHANGE IN FUND BALANCE	(212,336)	(212,336)	(73,193)	139,143
FUND BALANCE, Beginning of year	212,336	212,336	201,751	(10,585)
FUND BALANCE, End of year	\$ -	\$ -	\$ 128,558	\$ 128,558

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - REVENUE SHARING FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 124,000	\$ 124,000	\$ 110,635	\$ (13,365)
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	124,000	124,000	110,635	(13,365)
OTHER FINANCING SOURCES (USES)				
Transfers out	(130,875)	(130,875)	(114,000)	16,875
NET CHANGE IN FUND BALANCE	(6,875)	(6,875)	(3,365)	3,510
FUND BALANCE, Beginning of year	6,875	6,875	3,710	(3,165)
FUND BALANCE, End of year	\$ -	\$ -	\$ 345	\$ 345

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - TRUST/RESERVE FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
<i>REVENUES</i>				
Taxes and assessments	\$ -	\$ -	\$ 1,074	\$ 1,074
Miscellaneous	585,500	585,500	234,832	(350,668)
<i>Total Revenues</i>	585,500	585,500	235,906	(349,594)
<i>EXPENDITURES</i>				
Park	10,500	10,500	1,537	8,963
Skate park	5,000	5,000	-	5,000
Fire equipment	108,780	108,780	28,514	80,266
Ambulance equipment	5,000	5,000	-	5,000
Library	9,000	9,000	5,378	3,622
Bail	120,000	120,000	119,472	528
Aquatic center	50,000	50,000	22,546	27,454
Improvement	300,000	300,000	57,592	242,408
Street Improvement	300,000	300,000	-	300,000
Police	35,000	35,000	1,008	33,992
Development park	25,000	25,000	16,614	8,386
Civic center	3,000	3,000	300	2,700
Economic development	7,000	7,000	-	7,000
<i>Total Expenditures</i>	978,280	978,280	252,961	725,319
<i>NET CHANGE IN FUND BALANCE</i>	(392,780)	(392,780)	(17,055)	375,725
<i>FUND BALANCE, Beginning of year</i>	392,780	392,780	388,941	(3,839)
<i>FUND BALANCE, End of year</i>	\$ -	\$ -	\$ 371,886	\$ 371,886

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 493,000	\$ 1,012,791	\$ 191,450	\$ (821,341)
EXPENDITURES				
Capital outlay	299,000	768,791	2,847	765,944
REVENUES OVER (UNDER) EXPENDITURES	194,000	244,000	188,603	(55,397)
OTHER FINANCING SOURCES (USES)				
Transfers out	(195,000)	(195,000)	(191,925)	3,075
NET CHANGE IN FUND BALANCE	(1,000)	49,000	(3,322)	(52,322)
FUND BALANCE, Beginning of year	1,000	(49,000)	64,983	113,983
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,661</u>	<u>\$ 61,661</u>

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 44,305	\$ 44,305	\$ 39,909	\$ (4,396)
Miscellaneous	2,500	2,500	3,448	948
<i>Total Revenues</i>	46,805	46,805	43,357	(3,448)
EXPENDITURES				
Capital outlay	106,765	106,765	70,851	35,914
NET CHANGE IN FUND BALANCE	(59,960)	(59,960)	(27,494)	32,466
FUND BALANCE, Beginning of year	59,960	59,960	57,898	(2,062)
FUND BALANCE, End of year	\$ -	\$ -	\$ 30,404	\$ 30,404

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - IMPROVEMENT BOND FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 504,000	\$ 504,000	\$ 493,946	\$ (10,054)
EXPENDITURES				
Materials and services	104,000	104,000	-	104,000
Capital outlay	400,000	400,000	385,203	14,797
<i>Total Expenditures</i>	<u>504,000</u>	<u>504,000</u>	<u>385,203</u>	<u>118,797</u>
NET CHANGE IN FUND BALANCE	-	-	108,743	108,743
FUND BALANCE, Beginning of year	<u>-</u>	<u>-</u>	<u>6,344</u>	<u>6,344</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,087</u>	<u>\$ 115,087</u>

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL DEBT FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 78,450	\$ 78,450	\$ 78,222	\$ (228)
EXPENDITURES				
Debt service	78,450	78,450	78,222	228
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET (NON-GAAP BASIS) AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,648,000	\$ 2,648,000	\$ 2,617,239	\$ 2,617,239
Miscellaneous	236,000	235,500	222,730	222,730
<i>Total Revenues</i>	2,884,000	2,883,500	2,839,969	2,839,969
EXPENSES				
Personal services	739,136	719,136	635,841	628,646
Materials and services	1,088,327	1,323,327	1,198,709	1,198,721
Capital outlay/depreciation	741,000	741,000	307,671	600,501
Debt service	1,166,965	1,166,965	1,166,965	489,211
Contingency	1,747,402	1,532,402	-	-
<i>Total Expenses</i>	5,482,830	5,482,830	3,309,186	2,917,079
REVENUES OVER (UNDER) EXPENSES	(2,598,830)	(2,599,330)	(469,217)	(77,110)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	500	-	551,990
Transfers out	(184,200)	(184,200)	(184,200)	(184,200)
NET CHANGE IN NET ASSETS	(2,783,030)	(2,783,030)	(653,417)	290,680
NET ASSETS, Beginning of year	2,783,030	2,783,030	2,838,016	14,318,114
NET ASSETS, End of year	\$ -	\$ -	\$ 2,184,599	\$ 14,608,794

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET (NON-GAAP BASIS) AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>GAAP</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Basis</i>
REVENUES				
Charges for services	\$ 1,973,500	\$ 1,973,500	\$ 1,859,581	\$ 1,859,581
Miscellaneous	51,500	51,500	69,266	69,266
<i>Total Revenues</i>	2,025,000	2,025,000	1,928,847	1,928,847
EXPENSES				
Personal services	757,231	882,231	743,882	751,796
Materials and services	983,181	1,059,181	797,828	804,481
Capital outlay/depreciation	111,000	311,000	86,373	324,284
Debt service	207,615	207,615	207,595	37,595
Contingency	867,740	466,740	-	-
<i>Total Expenses</i>	2,926,767	2,926,767	1,835,678	1,918,156
REVENUES OVER (UNDER)				
EXPENSES	(901,767)	(901,767)	93,169	10,691
OTHER FINANCING SOURCES (USES)				
Transfers out	(141,250)	(141,250)	(141,250)	(141,250)
NET CHANGE IN NET ASSETS	(1,043,017)	(1,043,017)	(48,081)	(130,559)
NET ASSETS, Beginning of year	1,043,017	1,043,017	1,223,837	10,795,673
NET ASSETS, End of year	\$ -	\$ -	\$ 1,175,756	\$ 10,665,114

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET (NON-GAAP BASIS) AND ACTUAL - OUTSIDE WATER FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 20,000	\$ 20,000	\$ 22,050	\$ 22,050
EXPENDITURES				
Personal services	15,500	15,500	1,891	1,891
Materials and services	80,167	80,167	40,310	40,310
<i>Total Expenditures</i>	<u>95,667</u>	<u>95,667</u>	<u>42,201</u>	<u>42,201</u>
NET CHANGE IN FUND BALANCE	(75,667)	(75,667)	(20,151)	(20,151)
NET ASSETS, Beginning of year	<u>75,667</u>	<u>75,667</u>	<u>133,187</u>	<u>133,187</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,036</u>	<u>\$ 113,036</u>

CITY OF DALLAS, OREGON**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS**

JUNE 30, 2008

	<u>Shop Service</u>	<u>Central Services</u>	<u>Totals</u>
ASSETS			
Current assets			
Cash and investments	\$ 168,827	\$ 8,923	\$ 177,750
Inventories	4,765	-	4,765
<i>Total Current Assets</i>	173,592	8,923	182,515
Noncurrent assets			
Capital assets, net	519,706	1,761	521,467
<i>Total Assets</i>	693,298	10,684	703,982
LIABILITIES			
Current liabilities			
Accounts payable	26,541	8,923	35,464
Noncurrent liabilities			
Compensated absences payable	4,750	46,276	51,026
<i>Total Liabilities</i>	31,291	55,199	86,490
NET ASSETS			
Investment in capital assets	519,706	1,761	521,467
Unrestricted (deficit)	142,301	(46,276)	96,025
<i>Total Net Assets</i>	<u>\$ 662,007</u>	<u>\$ (44,515)</u>	<u>\$ 617,492</u>

CITY OF DALLAS, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008**

	<i>Shop Service</i>	<i>Central Services</i>	<i>Totals</i>
OPERATING REVENUES			
Charges for services	\$ -	\$ 1,141,520	\$ 1,141,520
Miscellaneous	438,316	-	438,316
<i>Total Operating Revenues</i>	438,316	1,141,520	1,579,836
OPERATING EXPENSES			
Personal services	121,499	781,195	902,694
Materials and services	281,124	365,819	646,943
Depreciation	144,859	9,034	153,893
<i>Total Operating Expenses</i>	547,482	1,156,048	1,703,530
OPERATING INCOME (LOSS)	(109,166)	(14,528)	(123,694)
NONOPERATING REVENUES (EXPENSES)			
Transfers in	100,000	-	100,000
<i>Total Nonoperating Revenue (Expenses)</i>	100,000	-	100,000
CHANGE IN NET ASSETS	(9,166)	(14,528)	(23,694)
NET ASSETS (DEFICIT), Beginning of year	671,173	(29,987)	641,186
NET ASSETS (DEFICIT), End of year	\$ 662,007	\$ (44,515)	\$ 617,492

CITY OF DALLAS, OREGON**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS****YEAR ENDED JUNE 30, 2008**

	<i>Shop Service</i>	<i>Central Services</i>	<i>Totals</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	\$ 438,316	\$ 1,141,520	\$ 1,579,836
Paid to suppliers	(279,648)	(373,492)	(653,140)
Paid to employees	(119,994)	(775,700)	(895,694)
<i>Net Cash Provided by (Used in) Operating Activities</i>	38,674	(7,672)	31,002
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	100,000	-	100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(181,607)	-	(181,607)
<i>Increase (Decrease) in Cash and Investments</i>	(42,933)	(7,672)	(50,605)
CASH AND INVESTMENTS, Beginning of year	211,760	16,595	228,355
CASH AND INVESTMENTS, End of year	\$ 168,827	\$ 8,923	\$ 177,750
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (109,166)	\$ (14,528)	\$ (123,694)
Depreciation	144,859	9,034	153,893
<i>Change in assets and liabilities</i>			
Inventory	601	-	601
Accrued vacation payable	1,505	5,495	7,000
Accounts payable and accrued liabilities	875	(7,673)	(6,798)
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ 38,674	\$ (7,672)	\$ 31,002

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - SHOP SERVICE FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Miscellaneous	\$ 439,000	\$ 439,000	\$ 438,316	\$ 438,316
EXPENDITURES				
Personal services	137,848	137,848	119,993	121,499
Materials and services	372,554	318,554	280,523	281,124
Capital outlay	152,000	206,000	181,608	144,859
<i>Total Expenditures</i>	<u>662,402</u>	<u>662,402</u>	<u>582,124</u>	<u>547,482</u>
REVENUES OVER (UNDER) EXPENDITURES	(223,402)	(223,402)	(143,808)	(109,166)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCE	(123,402)	(123,402)	(43,808)	(9,166)
FUND BALANCE, Beginning of year	<u>123,402</u>	<u>123,402</u>	<u>186,094</u>	<u>671,173</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,286</u>	<u>\$ 662,007</u>

CITY OF DALLAS, OREGON**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - CENTRAL SERVICES FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>GAAP</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Basis</i>
<i>REVENUES</i>				
Charges for services	\$ 1,152,407	\$ 1,182,407	\$ 1,141,520	\$ 1,141,520
<i>EXPENDITURES</i>				
Mayor and city council	26,000	26,000	25,975	25,975
Human resources	99,573	97,073	96,889	96,889
City manager	301,885	318,885	307,732	307,732
Finance office	520,296	503,796	514,975	529,503
City attorney	60,300	62,300	59,768	59,768
Facilities maintenance	144,353	174,353	136,181	136,181
<i>Total Expenditures</i>	<u>1,152,407</u>	<u>1,182,407</u>	<u>1,141,520</u>	<u>1,156,048</u>
<i>REVENUES OVER (UNDER)</i>				
<i>EXPENDITURES</i>	-	-	-	(14,528)
<i>FUND BALANCE (DEFICIT), Beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,987)</u>
<i>FUND BALANCE (DEFICIT), End of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,515)</u>

OTHER FINANCIAL SCHEDULES

CITY OF DALLAS, OREGON**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES****YEAR ENDED JUNE 30, 2008**

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2007</u>	<u>2007-2008 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2008</u>
2007-08	\$ -	\$ 3,763,738	\$ (92,773)	\$ (3,529,331)	\$ 141,634
2006-07	123,834	-	3,036	(79,815)	47,055
2005-06	39,368	-	2,191	(22,191)	19,368
2004-05	18,304	-	1,834	(12,904)	7,234
2003-04	7,489	-	1,440	(8,123)	806
2002-03	1,253	-	122	(549)	826
2001-02	1,580	-	81	(383)	1,278
Prior Years	3,025	-	227	(1,078)	2,174
Total	<u>\$ 194,853</u>	<u>\$ 3,763,738</u>	<u>\$ (83,842)</u>	<u>\$ (3,654,374)</u>	<u>\$ 220,375</u>

CITY OF DALLAS, OREGON
SCHEDULE OF BOND AND BOND INTEREST TRANSACTIONS
YEAR ENDED JUNE 30, 2008

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>
DEBT PRINCIPAL TRANSACTIONS			
Governmental activities			
Series 1999	4.95%	1999	2017-18
Series 2003	4.25-5.00%	2003	2018-19
Series 2005	3.50%-4.00%	2005	2018-19
2005 PERS bonds	4.38%-5.00%	2005	2027-28
Business-type activities			
Sewage 1998	4.74%	1998	2017-18
Sewage DEQ	3.93%	2000	2019-20
Water Refunding 2005	3.75%	2005	2012-13
OECD Safe Drinking Water loan	3.38%	2007	2028-29
			<i>Unmatured Interest Outstanding July 1, 2007</i>
DEBT INTEREST TRANSACTIONS			
Governmental activities			
Series 1999	4.95%	1999	\$ 41,900
Series 2003	4.25-5.00%	2003	230,798
Series 2005	3.50%-4.00%	2005	1,406,150
2005 PERS bonds	4.38%-5.00%	2005	1,247,756
			<hr/>
			2,926,604
Business-type activities			
Sewage 1998	4.74%	1998	110,610
Sewage DEQ	3.93%	2000	3,491,356
Water Refunding 2005	3.75%	2005	123,951
OECD Safe Drinking Water loan	3.38%	2007	-
			<hr/>
			3,725,917
			<hr/>
			\$ 6,652,521
			<hr/>

<i>Outstanding July 1, 2007</i>	<i>New Issues</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2008</i>
\$ 625,000	\$ -	\$ (305,000)	\$ 320,000
755,000	-	(40,000)	715,000
4,535,000	-	(100,000)	4,435,000
1,585,000	-	-	1,585,000
7,500,000	-	(445,000)	7,055,000
348,614	-	(24,199)	324,415
10,845,095	-	(653,555)	10,191,540
1,088,000	-	(170,000)	918,000
-	3,109,794	-	3,109,794
12,281,709	3,109,794	(847,754)	14,543,749
\$ 19,781,709	\$ 3,109,794	\$ (1,292,754)	\$ 21,598,749

<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2008</i>
\$ -	\$ (27,660)	\$ 14,240
-	(17,696)	213,102
-	(213,936)	1,192,214
-	(78,222)	1,169,534
-	(337,514)	2,589,090
-	(16,751)	93,859
-	(472,460)	3,018,896
-	(37,595)	86,356
2,311,821	-	2,311,821
2,311,821	(526,806)	5,510,932
\$ 2,311,821	\$ (864,320)	\$ 8,100,022

CITY OF DALLAS, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
JUNE 30, 2008

Governmental Activities

<i>Fiscal Year Ending June 30,</i>	<i>Series 1999</i>			<i>Series 2003</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 320,000	\$ 14,240	\$ 334,240	\$ 50,000	\$ 34,155	\$ 84,155
2010	-	-	-	55,000	31,566	86,566
2011	-	-	-	60,000	28,710	88,710
2012	-	-	-	70,000	25,493	95,493
2013	-	-	-	70,000	22,028	92,028
2014	-	-	-	75,000	18,439	93,439
2015	-	-	-	80,000	14,603	94,603
2016	-	-	-	80,000	10,643	90,643
2017	-	-	-	85,000	6,559	91,559
2018	-	-	-	90,000	2,229	92,229
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 320,000</u>	<u>\$ 14,240</u>	<u>\$ 334,240</u>	<u>\$ 715,000</u>	<u>\$ 194,425</u>	<u>\$ 909,425</u>

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Sewage 1998</i>			<i>Sewage DEQ</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 24,386	\$ 15,675	\$ 40,061	\$ 679,491	\$ 443,193	\$ 1,122,684
2010	29,583	14,577	44,160	706,458	412,761	1,119,219
2011	29,791	13,232	43,023	734,494	381,124	1,115,618
2012	30,014	11,847	41,861	763,644	348,229	1,111,873
2013	30,251	10,422	40,673	793,950	314,030	1,107,980
2014	30,506	8,955	39,461	825,459	278,473	1,103,932
2015	35,777	7,460	43,237	858,218	241,506	1,099,724
2016	36,061	5,706	41,767	892,277	203,071	1,095,348
2017	36,364	3,902	40,266	927,688	163,111	1,090,799
2018	41,682	2,084	43,766	964,504	121,566	1,086,070
2019	-	-	-	1,002,782	78,370	1,081,152
2020	-	-	-	1,042,575	33,462	1,076,037
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 324,415</u>	<u>\$ 93,860</u>	<u>\$ 418,275</u>	<u>\$ 10,191,540</u>	<u>\$ 3,018,896</u>	<u>\$ 13,210,436</u>

<i>Series 2005</i>			<i>PERS Bonds</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 100,000	\$ 191,250	\$ 291,250	\$ 5,000	\$ 78,450	\$ 83,450
405,000	187,250	592,250	10,000	78,231	88,231
420,000	171,050	591,050	15,000	77,787	92,787
435,000	154,250	589,250	20,000	77,110	97,110
455,000	136,850	591,850	30,000	76,010	106,010
475,000	114,100	589,100	35,000	74,626	109,626
455,000	90,350	545,350	40,000	72,993	112,993
480,000	67,600	547,600	50,000	71,050	121,050
385,000	48,400	433,400	60,000	68,620	128,620
405,000	33,000	438,000	70,000	65,705	135,705
420,000	16,800	436,800	80,000	62,304	142,304
-	-	-	90,000	58,416	148,416
-	-	-	100,000	54,043	154,043
-	-	-	115,000	49,039	164,039
-	-	-	125,000	43,285	168,285
-	-	-	140,000	37,030	177,030
-	-	-	155,000	38,024	193,024
-	-	-	170,000	22,268	192,268
-	-	-	190,000	13,761	203,761
-	-	-	85,000	4,253	89,253
<u>\$ 4,435,000</u>	<u>\$ 1,210,900</u>	<u>\$ 5,645,900</u>	<u>\$ 1,585,000</u>	<u>\$ 1,123,005</u>	<u>\$ 2,708,005</u>

<i>Water 2005</i>			<i>OECD Safe Drinking Water loan (fully disbursed)</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 176,000	\$ 31,125	\$ 207,125	\$ 202,266	\$ 288,074	\$ 490,340
183,000	24,394	207,394	209,102	184,133	393,235
190,000	17,400	207,400	216,170	177,066	393,236
197,000	10,144	207,144	223,477	169,759	393,236
172,000	3,224	175,224	231,030	162,206	393,236
-	-	-	238,839	154,397	393,236
-	-	-	246,912	146,324	393,236
-	-	-	255,257	137,978	393,235
-	-	-	263,885	129,351	393,236
-	-	-	272,804	120,431	393,235
-	-	-	282,025	111,211	393,236
-	-	-	291,558	101,678	393,236
-	-	-	301,412	91,824	393,236
-	-	-	311,600	81,636	393,236
-	-	-	322,132	71,104	393,236
-	-	-	333,020	60,216	393,236
-	-	-	344,276	48,960	393,236
-	-	-	355,913	37,323	393,236
-	-	-	367,943	25,293	393,236
-	-	-	380,379	12,857	393,236
<u>\$ 918,000</u>	<u>\$ 86,287</u>	<u>\$ 1,004,287</u>	<u>\$ 5,650,000</u>	<u>\$ 2,311,821</u>	<u>\$ 7,961,821</u>

CITY OF DALLAS, OREGON**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS (Continued)****JUNE 30, 2008****Governmental Activities**

<i>Fiscal Year Ending June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 475,000	\$ 318,095	\$ 793,095
2010	470,000	297,047	767,047
2011	495,000	277,547	772,547
2012	525,000	256,853	781,853
2013	555,000	234,888	789,888
2014	585,000	207,165	792,165
2015	575,000	177,946	752,946
2016	610,000	149,293	759,293
2017	530,000	123,579	653,579
2018	565,000	100,934	665,934
2019	500,000	79,104	579,104
2020	90,000	58,416	148,416
2021	100,000	54,043	154,043
2022	115,000	49,039	164,039
2023	125,000	43,285	168,285
2024	140,000	37,030	177,030
2025	155,000	38,024	193,024
2026	170,000	22,268	192,268
2027	190,000	13,761	203,761
2028	85,000	4,253	89,253
	<u>\$ 7,055,000</u>	<u>\$ 2,542,570</u>	<u>\$ 9,597,570</u>

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 1,082,143	\$ 778,067	\$ 1,860,210
2010	1,128,143	635,865	1,764,008
2011	1,170,455	588,822	1,759,277
2012	1,214,135	539,979	1,754,114
2013	1,227,231	489,882	1,717,113
2014	1,094,804	441,825	1,536,629
2015	1,140,907	395,290	1,536,197
2016	1,183,595	346,755	1,530,350
2017	1,227,937	296,364	1,524,301
2018	1,278,990	244,081	1,523,071
2019	1,284,807	189,581	1,474,388
2020	1,334,133	135,140	1,469,273
2021	301,412	91,824	393,236
2022	311,600	81,636	393,236
2023	322,132	71,104	393,236
2024	333,020	60,216	393,236
2025	344,276	48,960	393,236
2026	355,913	37,323	393,236
2027	367,943	25,293	393,236
2028	380,379	12,857	393,236
	<u>\$ 17,083,955</u>	<u>\$ 5,510,864</u>	<u>\$ 22,594,819</u>

STATISTICAL SECTION

This part of the City of Dallas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	63-68
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	69-73
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	74-77
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	78-80
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the service the City provides and the activities it performs.	81-82

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS

CITY OF DALLAS, OREGON
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<i>Governmental activities:</i>			
Invested in capital assets (net of related debt)	\$ 73,563,864	\$ 72,313,314	\$ 69,659,685
Restricted for special purposes	6,458,604	6,820,160	7,307,917
Unrestricted	1,021,024	1,930,213	4,881,233
<i>Total governmental activities net assets</i>	<u>\$ 81,043,492</u>	<u>\$ 81,063,687</u>	<u>\$ 81,848,835</u>
<i>Business-type activities:</i>			
Invested in capital assets (net of related debt)	\$ 21,999,548	\$ 20,859,855	\$ 19,592,528
Restricted for special purposes	-	-	-
Unrestricted	3,658,086	4,387,120	5,337,653
<i>Total business-type activities net assets</i>	<u>\$ 25,657,634</u>	<u>\$ 25,246,975</u>	<u>\$ 24,930,181</u>
<i>Primary government:</i>			
Invested in capital assets (net of related debt)	\$ 95,563,412	\$ 93,173,169	\$ 89,382,213
Restricted for special purposes	6,458,604	6,820,160	7,307,917
Unrestricted	4,679,110	6,317,333	10,088,886
<i>Total primary government net assets</i>	<u>\$ 106,701,126</u>	<u>\$ 106,310,662</u>	<u>\$ 106,779,016</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 70,836,711	\$ 70,842,393	\$ 69,101,619
6,414,868	3,947,439	-
3,255,110	2,138,540	6,133,760
<u>\$ 80,506,689</u>	<u>\$ 76,928,372</u>	<u>\$ 75,235,379</u>
\$ 18,820,679	\$ 18,499,585	\$ 16,972,442
-	-	-
6,008,749	7,915,724	7,995,732
<u>\$ 24,829,428</u>	<u>\$ 26,415,309</u>	<u>\$ 24,968,174</u>
\$ 89,657,390	\$ 89,341,978	\$ 86,074,061
6,414,868	3,947,439	-
9,263,859	10,054,264	14,129,492
<u>\$ 105,336,117</u>	<u>\$ 103,343,681</u>	<u>\$ 100,203,553</u>

CITY OF DALLAS, OREGON
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>
EXPENSES			
<i>Governmental activities:</i>			
General government	\$ 1,117,810	\$ 439,215	\$ 560,440
Public safety	4,374,809	3,817,182	2,979,379
Highways and streets	1,128,744	3,215,818	919,953
Culture and recreation	2,961,453	3,198,380	2,191,735
Interest on long-term debt	337,515	357,421	368,216
Unallocated depreciation	-	-	795,053
<i>Total governmental activities expenses</i>	<u>9,920,331</u>	<u>11,028,016</u>	<u>7,814,776</u>
<i>Business-type activities:</i>			
Sewage disposal	2,917,079	1,786,823	3,093,131
Water	1,960,357	3,488,856	1,809,211
Ambulance		927,316	957,655
<i>Total business-type activities expenses</i>	<u>4,877,436</u>	<u>6,202,995</u>	<u>5,859,997</u>
<i>Total expenses</i>	<u>\$ 14,797,767</u>	<u>\$ 17,231,011</u>	<u>\$ 13,674,773</u>
PROGRAM REVENUES			
<i>Governmental activities:</i>			
Charges for services			
General Government	\$ 792,460	\$ 481,966	\$ 610,373
Public Safety	1,285,393	325,233	250,291
Culture and Recreation	507,689	489,916	437,942
Operating grants and contributions	1,523,440	2,051,181	1,316,217
Capital grants and contributions	1,218,332	953,059	2,684,450
<i>Total governmental activities program revenues</i>	<u>5,327,314</u>	<u>4,301,355</u>	<u>5,299,273</u>
<i>Business-type activities:</i>			
Charges for services	4,498,870	5,178,652	4,958,640
Operating grants and contributions	-	-	-
Capital grants and contributions	-	1,642,660	-
<i>Total business-type activities program revenues</i>	<u>4,498,870</u>	<u>6,821,312</u>	<u>4,958,640</u>
<i>Total program revenues</i>	<u>\$ 9,826,184</u>	<u>\$ 11,122,667</u>	<u>\$ 10,257,913</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 511,423	\$ 445,968	\$ 621,035
2,686,979	2,850,336	2,975,244
1,817,002	717,131	927,237
2,096,956	1,724,036	1,755,912
360,394	369,980	339,247
2,534,598	-	-
<u>10,007,352</u>	<u>6,107,451</u>	<u>6,618,675</u>
1,782,699	2,961,851	2,820,693
3,415,917	1,665,304	2,172,125
894,982	848,941	835,400
<u>6,093,598</u>	<u>5,476,096</u>	<u>5,828,218</u>
<u>\$ 16,100,950</u>	<u>\$ 11,583,547</u>	<u>\$ 12,446,893</u>

\$ 58,923	\$ 322,502	\$ 687,946
196,964	387,023	750,777
421,602	402,469	418,975
1,423,578	257,890	405,664
3,378,448	1,832	80,654
<u>5,479,515</u>	<u>1,371,716</u>	<u>2,344,016</u>
4,741,264	5,603,815	5,366,247
-	-	21,422
-	1,234,269	-
<u>4,741,264</u>	<u>6,838,084</u>	<u>5,387,669</u>
<u>\$ 10,220,779</u>	<u>\$ 8,209,800</u>	<u>\$ 7,731,685</u>

CITY OF DALLAS, OREGON
CHANGES IN NET ASSETS (Continued)
LAST SIX FISCAL YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>
PROGRAM REVENUES (Continued)			
Net (Expense)/Revenue			
Governmental activities	\$ (4,593,017)	\$ (6,726,661)	\$ (2,515,503)
Business-type activities	(378,566)	618,317	(901,357)
Total net expense	<u>\$ (4,971,583)</u>	<u>\$ (6,108,344)</u>	<u>\$ (3,416,860)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes and assessments	\$ 3,762,441	\$ 3,549,521	\$ 3,257,042
Franchise Fees	822,530	803,718	725,976
Intergovernmental	180,474	190,022	260,420
Miscellaneous	246,708	690,537	185,139
Transfer of capital assets	(822,680)	464,379	-
Proceeds from property sales	-	73,977	-
Transfers	325,450	169,360	(570,930)
Total governmental activities	<u>4,514,923</u>	<u>5,941,514</u>	<u>3,857,647</u>
Business-type activities:			
Miscellaneous	291,996	332,216	326,968
Transfer of capital assets	822,680	(464,379)	-
Transfers	(325,450)	(169,360)	570,930
Total business-type activities	<u>789,226</u>	<u>(301,523)</u>	<u>897,898</u>
Total	<u>\$ 5,304,149</u>	<u>\$ 5,639,991</u>	<u>\$ 4,755,545</u>
Change in Net Assets			
Governmental activities	\$ (78,094)	\$ (785,147)	\$ 1,342,144
Business-type activities	410,660	316,794	(3,459)
Total	<u>\$ 332,566</u>	<u>\$ (468,353)</u>	<u>\$ 1,338,685</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ (4,527,837)	\$ (4,735,735)	\$ (4,274,659)
(1,352,334)	1,361,988	(440,549)
<u>\$ (5,880,171)</u>	<u>\$ (3,373,747)</u>	<u>\$ (4,715,208)</u>
\$ 3,103,432	\$ 2,990,420	\$ 2,870,005
1,146,135	864,322	890,480
202,655	302,728	274,209
138,529	42,735	74,441
-	-	-
-	-	-
55,300	-	(42,891)
<u>4,646,051</u>	<u>4,200,205</u>	<u>4,066,244</u>
212,594	85,147	229,832
463,737	-	-
(55,300)	-	42,891
<u>621,031</u>	<u>85,147</u>	<u>272,723</u>
<u>\$ 5,267,082</u>	<u>\$ 4,285,352</u>	<u>\$ 4,338,967</u>
\$ 118,214	\$ (535,530)	\$ (208,415)
(731,303)	1,447,135	(167,826)
<u>\$ (613,089)</u>	<u>\$ 911,605</u>	<u>\$ (376,241)</u>

CITY OF DALLAS, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,114,009	1,314,302	1,848,263	1,179,784
<i>Total General Fund</i>	<u>\$ 1,114,009</u>	<u>\$ 1,314,302</u>	<u>\$ 1,848,263</u>	<u>\$ 1,179,784</u>
Special Revenue Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	6,489,353	659,386	673,175	861,144
<i>Total Special Revenue Funds</i>	<u>\$ 6,489,353</u>	<u>\$ 659,386</u>	<u>\$ 673,175</u>	<u>\$ 861,144</u>
Debt Service Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	316,429	197,092	304,233	317,810
<i>Total Debt Service Funds</i>	<u>\$ 316,429</u>	<u>\$ 197,092</u>	<u>\$ 304,233</u>	<u>\$ 317,810</u>
Capital Projects Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	(515,945)	6,464,930	7,682,647	7,169,032
<i>Total Capital Projects Funds</i>	<u>\$ (515,945)</u>	<u>\$ 6,464,930</u>	<u>\$ 7,682,647</u>	<u>\$ 7,169,032</u>
All Governmental Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	7,403,846	8,635,710	10,508,318	9,527,770
<i>Total All Governmental Funds</i>	<u>\$ 7,403,846</u>	<u>\$ 8,635,710</u>	<u>\$ 10,508,318</u>	<u>\$ 9,527,770</u>

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,845,014	1,791,241	2,033,969	2,396,727	2,571,298	2,527,065
<u>\$ 1,845,014</u>	<u>\$ 1,791,241</u>	<u>\$ 2,033,969</u>	<u>\$ 2,396,727</u>	<u>\$ 2,571,298</u>	<u>\$ 2,527,065</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
213,461	202,645	239,413	344,720	395,378	366,895
<u>\$ 213,461</u>	<u>\$ 202,645</u>	<u>\$ 239,413</u>	<u>\$ 344,720</u>	<u>\$ 395,378</u>	<u>\$ 366,895</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
335,602	346,402	309,018	318,921	299,451	791,715
<u>\$ 335,602</u>	<u>\$ 346,402</u>	<u>\$ 309,018</u>	<u>\$ 318,921</u>	<u>\$ 299,451</u>	<u>\$ 791,715</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,502,200	3,528,226	3,402,793	3,421,035	5,377,132	9,041,132
<u>\$ 3,502,200</u>	<u>\$ 3,528,226</u>	<u>\$ 3,402,793</u>	<u>\$ 3,421,035</u>	<u>\$ 5,377,132</u>	<u>\$ 9,041,132</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,896,277	5,868,514	5,985,193	6,481,403	8,643,259	12,726,807
<u>\$ 5,896,277</u>	<u>\$ 5,868,514</u>	<u>\$ 5,985,193</u>	<u>\$ 6,481,403</u>	<u>\$ 8,643,259</u>	<u>\$ 12,726,807</u>

CITY OF DALLAS, OREGON
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES			
Taxes and assessments	\$ 3,734,315	\$ 3,543,227	\$ 3,257,264
Licenses and permits	1,526,492	1,673,675	503,499
Intergovernmental	1,367,900	1,994,857	3,086,508
Franchise fees	822,530	803,718	725,976
Charges for services	1,516,376	549,374	1,565,327
Fines and forfeitures	365,946	325,233	250,291
Miscellaneous	980,026	1,177,752	340,849
<i>Total Revenues</i>	<u>10,313,585</u>	<u>10,067,836</u>	<u>9,729,714</u>
EXPENDITURES			
Current operating:			
General government	1,682,609	722,799	616,946
Highways and streets	902,450	840,978	867,888
Culture and recreation	1,817,384	1,798,389	1,648,851
Public Safety	3,533,823	3,753,648	3,070,333
Capital outlay	6,219,811	4,011,569	2,152,064
Debt service			
Interest	337,515	357,421	368,216
Principal	445,000	465,000	435,000
<i>Total Expenditures</i>	<u>14,938,592</u>	<u>11,949,804</u>	<u>9,159,298</u>
REVENUES OVER (UNDER)			
EXPENDITURES	(4,625,007)	(1,881,968)	570,416
OTHER FINANCING SOURCES (USES)			
Transfers in	593,375	459,775	1,045,630
Transfers out	(367,925)	(450,415)	(820,500)
Payment of prepaid pension asset	-	-	(1,585,000)
Debt proceeds	3,109,795	-	6,410,000
Bond refunding	-	-	(4,640,000)
<i>Total Other Financing Sources (Uses)</i>	<u>3,335,245</u>	<u>9,360</u>	<u>410,130</u>
NET CHANGE IN FUND BALANCES	<u>\$ (1,289,762)</u>	<u>\$ (1,872,608)</u>	<u>\$ 980,546</u>
Debt service as a percentage of noncapital expenditures	<u>9.86%</u>	<u>11.56%</u>	<u>12.95%</u>

<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
\$ 3,085,020	\$ 3,018,928	\$ 2,858,083	\$ 2,943,224	\$ 2,684,897	\$ 2,513,782	\$ 2,046,062
458,856	294,130	237,098	182,284	122,443	157,666	177,647
2,027,205	1,190,830	1,011,711	1,088,921	1,020,673	1,027,884	908,429
891,804	864,322	706,930	635,915	639,050	640,457	544,860
3,080,657	659,985	628,030	606,272	444,432	396,144	1,220,946
273,498	153,475	159,985	171,328	194,978	173,463	128,972
566,478	227,999	790,773	240,344	663,425	857,983	670,708
<u>10,383,518</u>	<u>6,409,669</u>	<u>6,392,610</u>	<u>5,868,288</u>	<u>5,769,898</u>	<u>5,767,379</u>	<u>5,697,624</u>
511,619	420,400	558,856	399,227	381,795	375,610	349,240
729,940	2,779,104	844,594	915,676	655,152	538,132	689,900
1,636,836	717,131	1,578,281	1,609,061	1,332,005	806,710	745,588
2,818,643	1,553,207	2,753,751	2,522,233	2,334,724	2,210,944	2,003,540
1,611,851	167,344	976,419	233,450	2,501,564	4,411,297	9,953,802
343,094	369,980	339,247	353,979	369,328	401,595	141,147
435,000	374,600	378,600	333,600	343,600	808,600	123,600
<u>8,086,983</u>	<u>6,381,766</u>	<u>7,429,748</u>	<u>6,367,226</u>	<u>7,918,168</u>	<u>9,552,888</u>	<u>14,006,817</u>
2,296,535	27,903	(1,037,138)	(498,938)	(2,148,270)	(3,785,509)	(8,309,193)
781,780	116,880	473,050	421,503	66,000	120,091	9,702,367
(786,480)	(116,880)	(332,391)	(399,244)	(387,154)	(271,091)	(580,924)
-	-	-	-	-	-	-
-	-	885,000	-	307,568	-	6,145,000
-	-	-	-	-	-	-
<u>(4,700)</u>	<u>-</u>	<u>1,025,659</u>	<u>22,259</u>	<u>(13,586)</u>	<u>(151,000)</u>	<u>15,266,443</u>
\$ <u>2,291,835</u>	\$ <u>27,903</u>	\$ <u>(11,479)</u>	\$ <u>(476,679)</u>	\$ <u>(2,161,856)</u>	\$ <u>(3,936,509)</u>	\$ <u>6,957,250</u>
<u>13.66%</u>	<u>13.61%</u>	<u>12.52%</u>	<u>12.62%</u>	<u>15.16%</u>	<u>30.78%</u>	<u>6.99%</u>

CITY OF DALLAS, OREGON
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST SIX FISCAL YEARS

	<u>2008</u>	<u>2007</u>	<u>2006</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	\$ 1,663,143	\$ 1,123,364	\$ 2,927,908
Public safety	1,986,654	1,566,536	775,432
Highways and streets	912,983	875,983	1,025,289
Culture and recreation	764,534	735,472	570,644
<i>Total Governmental Activities</i>	<u>5,327,314</u>	<u>4,301,355</u>	<u>5,299,273</u>
Business-type Activities:			
Sewage disposal	2,617,239	3,210,039	2,521,270
Water	1,881,631	2,875,974	1,669,428
Ambulance	-	735,299	767,942
<i>Total Business-type Activities</i>	<u>4,498,870</u>	<u>6,821,312</u>	<u>4,958,640</u>
<i>Total Activities</i>	<u>\$ 9,826,184</u>	<u>\$ 11,122,667</u>	<u>\$ 10,257,913</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 1,524,755	\$ 322,502	\$ 295,948
882,153	387,023	391,998
2,608,285	795,189	750,777
781,482	402,469	418,975
<u>5,796,675</u>	<u>1,907,183</u>	<u>1,857,698</u>
2,363,972	2,931,532	2,751,060
1,588,820	1,873,665	1,849,990
788,472	798,618	765,197
<u>4,741,264</u>	<u>5,603,815</u>	<u>5,366,247</u>
<u>\$ 10,537,939</u>	<u>\$ 7,510,998</u>	<u>\$ 7,223,945</u>

REVENUE CAPACITY

CITY OF DALLAS, OREGON**TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS**

Fiscal Year	Property	Special Assessments	Total
1999	\$ 2,007,369	\$ 45,771	\$ 2,053,140
2000	2,488,093	25,689	2,513,782
2001	2,668,864	16,033	2,684,897
2002	2,804,325	138,899	2,943,224
2003	2,858,082	44,247	2,902,329
2004	3,017,579	1,349	3,018,928
2005	3,103,432	15,405	3,118,837
2006	3,257,042	1,642	3,258,684
2007	3,465,035	1,276	3,466,311
2008	3,615,110	2,244	3,617,354
Change 1999-2008	80.1%	-95.1%	

CITY OF DALLAS, OREGON**ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY****LAST TEN FISCAL YEARS**

<i>Fiscal Year Ended June 30,</i>	<i>Real Property</i>		<i>Personal Property*</i>		<i>Public Utility Property</i>	
	<i>Assessed</i>	<i>Estimated</i>	<i>Assessed</i>	<i>Estimated</i>	<i>Assessed</i>	<i>Estimated</i>
	<i>Value</i>	<i>Actual Value</i>	<i>Value</i>	<i>Actual Value</i>	<i>Value</i>	<i>Actual Value</i>
1999	\$ 402,726,613	\$ 538,273,997	\$ 12,332,705	\$ 12,923,071	\$ 10,206,377	\$ 10,675,580
2000	417,960,536	540,422,888	12,799,214	12,974,662	10,592,453	10,718,199
2001	446,962,120	575,162,502	13,687,330	13,808,703	11,327,446	11,407,190
2002	488,662,187	616,835,884	14,964,312	18,889,378	12,384,258	15,632,588
2003	516,659,170	649,288,878	15,821,664	19,883,186	13,093,791	16,455,051
2004	545,163,148	688,278,376	16,694,542	21,077,163	13,816,173	17,443,169
2005	579,256,376	764,548,023	20,875,465	27,971,269	13,854,291	18,242,132
2006	630,735,332	918,616,960	24,096,450	35,080,312	14,214,536	20,755,852
2007	673,197,624	1,067,904,738	25,708,194	40,781,341	15,210,681	24,128,960
2008	694,267,295	1,133,927,207	25,085,157	40,970,880	14,327,720	23,401,061

All property is assessed as of July 1 of the fiscal year.

* Includes mobile homes

Source: Polk County Department of Assessment and Taxation.

<i>Total</i>		<i>Ratio of</i>	
<i>Assessed</i>	<i>Estimated</i>	<i>Total Assessed to</i>	<i>Total</i>
<i>Value</i>	<i>Actual</i>	<i>Total Estimated</i>	<i>Direct</i>
<i>Value</i>	<i>Value</i>	<i>Actual Value</i>	<i>Tax Rate</i>
\$ 425,265,695	\$ 561,872,648	75.69 %	\$ 4.00
441,352,203	564,115,749	78.24	5.78
471,976,896	600,378,395	78.61	5.75
516,010,757	651,357,850	79.22	5.56
545,574,625	685,627,115	79.57	5.55
575,673,863	726,798,708	79.21	5.52
613,986,132	810,761,424	75.73	5.42
669,046,318	974,453,124	68.66	5.31
714,116,499	1,132,815,039	63.04	5.21
733,680,172	1,198,299,148	61.23	5.27

CITY OF DALLAS, OREGON**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS****(PER \$1,000 OF ASSESSED VALUE)****LAST TEN FISCAL YEARS**

<i>Fiscal Year Ended June 30,</i>	<i>City of Dallas</i>	<i>Polk County</i>	<i>School District #2</i>	<i>Chemeketa Community College</i>	<i>Chemeketa Regional Library</i>	<i>Polk Conservation District</i>
1999	\$ 4.85	\$ 2.13	\$ 6.59	\$ 0.76	\$ 0.08	\$ -
2000	5.78	2.09	7.11	0.76	0.08	-
2001	5.75	2.11	6.29	0.76	0.08	-
2002	5.56	2.05	6.43	0.76	0.08	-
2003	5.55	2.02	6.50	0.77	0.08	0.05
2004	5.52	2.03	6.45	0.96	0.08	0.05
2005	5.46	2.00	6.53	0.96	0.08	0.05
2006	5.36	1.97	6.33	0.94	0.08	0.05
2007	5.27	2.40	6.20	0.70	0.08	0.05
2008	5.26	2.26	5.77	0.70	0.08	0.05

Source: Polk County Department of Assessment and Taxation.

<i>Willamette</i>	<i>Dallas</i>		
<i>ESD</i>	<i>Cemetery</i>		
	<i>District</i>	<i>Total</i>	
\$ 0.88	\$ 0.06	\$ 15.35	
0.88	0.06	16.76	
0.92	0.05	15.96	
0.28	0.05	15.21	
0.30	0.05	15.32	
0.30	0.05	15.44	
0.30	0.05	15.43	
0.30	0.05	15.08	
0.30	0.05	15.05	
0.30	0.05	14.47	

CITY OF DALLAS, OREGON
PRINCIPAL TAXPAYERS FOR POLK COUNTY
CURRENT YEAR AND NINE YEARS AGO

<i>Taxpayer</i>	2008			1999		
	<i>Assessed Value</i>	<i>Rank</i>	<i>% of Total City Taxable Assessed Value</i>	<i>Assessed Value</i>	<i>Rank</i>	<i>% of Total City Taxable Assessed Value</i>
Weyerhaeuser Company	\$ 17,879,836	1	2.44%	\$ 13,684,013	5	3.22%
Northwest Natural Gas	7,506,000	2	1.02%	14,171,000	4	3.33%
Greenway	6,213,160	3	0.85%	-	-	-
Wal-Mart	5,286,550	4	0.72%	-	-	-
Victoria Place General Partnership	5,168,640	5	0.70%	-	-	-
Qwest Corporation	3,977,400	6	0.54%	16,795,844	2	3.95%
TTM Printed Circuit Group	3,604,570	7	0.49%	11,968,037	6	2.81%
FR Acquisition, Inc.	3,322,110	8	0.45%	-	-	-
Dallas Mennonite Retirement Center	2,891,700	9	0.39%	-	-	-
Safeway #404	2,683,870	10	0.37%	-	-	-
Pacificorp (PP&L)	-	-	-	16,836,600	1	3.96%
Agripac, Inc.	-	-	-	16,250,030	3	3.82%
Boise Cascade Corporation	-	-	-	10,312,128	8	2.42%
Portland General Electric	-	-	-	11,725,760	7	2.76%
TranCo	-	-	-	7,857,310	9	1.85%
Rainsweet, Inc.	-	-	-	5,335,191	10	1.25%
	<u>\$ 58,533,836</u>		<u>7.97%</u>	<u>\$ 124,935,913</u>		<u>29.37%</u>

Source: Polk County Department of Assessment and Taxation.

CITY OF DALLAS, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<i>Fiscal Year Ended June 30,</i>	<i>Total tax levy (net of discounts)</i>	<i>Collected in year of levy</i>		<i>Collected in subsequent years</i>	<i>Total collections to date</i>	
		<i>Amount</i>	<i>Percent of Levy</i>		<i>Amount</i>	<i>Percent of Levy</i>
1999	\$ 2,063,474	\$ 1,964,604	95.21 %	\$ 97,918	\$ 2,062,522	99.95 %
2000	2,552,783	2,371,334	92.89	180,172	2,551,506	99.95
2001	2,713,147	2,508,604	92.46	203,717	2,712,321	99.97
2002	2,813,592	2,615,970	92.98	196,042	2,812,012	99.94
2003	2,876,224	2,682,338	93.26	193,060	2,875,398	99.97
2004	3,030,151	2,843,667	93.85	185,678	3,029,345	99.97
2005	3,186,424	3,068,521	96.30	110,669	3,179,190	99.77
2006	3,337,387	3,141,622	94.13	176,535	3,318,157	99.42
2007	3,555,585	3,339,468	93.92	137,070	3,476,538	97.78
2008	3,722,534	3,490,693	93.77	-	3,490,693	93.77

Source: Information derived from Comprehensive Annual Financial Reports for all governmental funds.

DEBT CAPACITY

CITY OF DALLAS, OREGON

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

GOVERNMENTAL ACTIVITIES:

<i>Fiscal Year Ended June 30,</i>	<i>Population</i>	<i>Assessed Value</i>	<i>Bonded Debt</i>	<i>Ratio of Bonded Debt to Assessed Value</i>	<i>Debt as % Personal Income</i>	<i>Bonded Debt Per Capita</i>
1999	12,530	\$ 425,265,695	\$ 8,537,400	0.0201	2.88%	\$ 681.36
2000	12,870	441,352,203	7,728,800	0.0175	2.46%	600.53
2001	12,577	471,976,896	7,385,200	0.0156	2.37%	587.20
2002	12,650	516,010,757	7,051,600	0.0137	2.26%	557.44
2003	12,850	545,574,625	7,558,000	0.0139	2.35%	588.17
2004	13,420	575,673,863	7,155,000	0.0124	1.95%	533.16
2005	13,500	613,986,132	6,760,000	0.0110	1.81%	500.74
2006	14,585	668,374,992	7,965,000	0.0119	1.88%	546.11
2007	15,065	714,116,499	7,500,000	0.0105	1.64%	497.84
2008	15,065 *	733,680,172	7,055,000	0.0096	N/A	468.30

BUSINESS-TYPE ACTIVITIES:

<i>Fiscal Year Ended June 30,</i>	<i>Population</i>	<i>Assessed Value</i>	<i>Notes Payable and Bonded Debt</i>	<i>Ratio of Bonded Debt to Assessed Value</i>	<i>Debt as % Personal Income</i>	<i>Bonded Debt Per Capita</i>
1999	12,530	\$ 425,265,695	\$ 2,525,083	0.0059	0.85%	\$ 201.52
2000	12,870	441,352,203	2,412,796	0.0055	0.77%	187.47
2001	12,577	471,976,896	16,034,690	0.0340	5.15%	1,274.92
2002	12,650	516,010,757	15,924,550	0.0309	5.10%	1,258.86
2003	12,850	545,574,625	15,249,254	0.0280	4.75%	1,186.71
2004	13,420	575,673,863	14,544,219	0.0253	3.96%	1,083.77
2005	13,500	613,986,132	13,809,348	0.0225	3.69%	1,022.91
2006	14,585	668,374,992	13,098,342	0.0196	3.09%	898.07
2007	15,065	714,116,499	12,281,709	0.0172	2.69%	815.25
2008	15,065 *	733,680,172	14,543,749	0.0198	N/A	965.40

TOTAL DEBT:

<i>Fiscal Year Ended June 30,</i>	<i>Population</i>	<i>Assessed Value</i>	<i>Notes Payable and Bonded Debt</i>	<i>Ratio of Bonded Debt to Assessed Value</i>	<i>Debt as % Personal Income</i>	<i>Bonded Debt Per Capita</i>
1999	12,530	\$ 425,265,695	\$ 11,062,483	0.0260	3.73%	\$ 882.88
2000	12,870	441,352,203	10,141,596	0.0230	3.23%	788.00
2001	12,577	471,976,896	23,419,890	0.0496	7.52%	1,862.12
2002	12,650	516,010,757	22,976,150	0.0445	7.36%	1,816.30
2003	12,850	545,574,625	22,807,254	0.0418	7.10%	1,774.88
2004	13,420	575,673,863	21,699,219	0.0377	5.91%	1,616.93
2005	13,500	613,986,132	20,569,348	0.0335	5.50%	1,523.66
2006	14,585	668,374,992	21,063,342	0.0315	4.97%	1,444.18
2007	15,065	714,116,499	19,781,709	0.0277	4.33%	1,313.09
2008	15,065 *	733,680,172	21,598,749	0.0294	N/A	1,433.70

* current data not available; prior year data used

N/A - data not available

CITY OF DALLAS, OREGON**COMPUTATION OF OVERLAPPING GENERAL OBLIGATION DEBT****JUNE 30, 2008**

<u><i>Jurisdiction</i></u>	<u><i>General Obligation Debt Outstanding</i></u>	<u><i>Percent Applicable Inside City of Dallas</i></u>	<u><i>Amount Applicable Inside City of Dallas</i></u>
City of Dallas	\$ 5,470,000	100.00 %	\$ 5,470,000
School District #2	7,010,000	65.00	4,556,500
Polk County	18,530,000	17.00	3,150,100
			<u>\$ 13,176,600</u>

Source: Oregon Municipal Debt Advisory Commission.

CITY OF DALLAS, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2008

ORS 287.004 provides a debt limit of 3% of true cash value of all taxable property within the City boundaries:

Assessed value	\$ 733,680,172
Rate	x 3%
Debt limit	22,010,405
Debt applicable to limit	(5,268,658)
Legal debt margin	<u>\$ 16,741,747</u>

<u>Fiscal year ended June 30,</u>	<u>Debt Limit</u>	<u>Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>
1999	\$ 12,757,971	\$ 7,593,284	\$ 5,164,687
2000	13,240,566	7,335,550	5,905,016
2001	14,159,307	7,006,079	7,153,228
2002	15,480,323	6,690,982	8,789,341
2003	16,367,239	7,274,123	9,093,116
2004	17,270,216	7,197,235	10,072,981
2005	18,419,584	6,530,663	11,888,921
2006	20,051,248	6,126,398	13,924,850
2007	21,423,495	5,724,251	15,699,244
2008	22,010,405	5,268,658	16,741,747

CITY OF DALLAS, OREGON
SCHEDULE OF PLEDGED REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

WATER REVENUE BONDS

<i>Fiscal Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Expenditures</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			<i>Percent Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
1999	\$ 1,431,167	\$ 855,474	\$ 575,693	\$ 90,719	\$ 128,671	\$ 219,390	262.41 %
2000	1,427,203	1,056,604	370,599	96,281	123,110	219,391	168.92
2001	1,406,531	1,077,285	329,246	102,183	117,209	219,392	150.07
2002	1,412,153	1,211,506	200,647	108,447	110,945	219,392	91.46
2003	1,489,488	1,793,876	(304,388)	115,094	104,297	219,391	(138.74)
2004	1,516,841	1,310,768	206,073	122,150	97,241	219,391	93.93
2005	1,602,796	1,319,693	283,103	129,637	89,754	219,391	129.04
2006	1,713,652	1,342,009	371,643	95,000	111,287	206,287	180.16
2007	1,943,169	1,575,220	367,949	164,000	43,824	207,824	177.05
2008	1,928,847	1,918,156	10,691	170,000	37,613	207,613	5.15

SEWER REVENUE BONDS

<i>Fiscal Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Expenditures</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			<i>Percent Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
1999	\$ 2,455,023	\$ 1,047,296	\$ 1,407,727	\$ 6,442	\$ 10,755	\$ 17,197	8,185.89 %
2000	2,670,680	1,169,461	1,501,219	18,006	23,925	41,931	3,580.21
2001	2,612,599	1,465,895	1,146,704	255,962	1,467,047	1,723,009	66.55
2002	2,467,215	1,755,076	712,139	519,456	623,607	1,143,063	62.30
2003	2,419,277	1,717,866	701,411	560,202	624,357	1,184,559	59.21
2004	2,484,673	1,801,600	683,073	582,885	599,614	1,182,499	57.77
2005	2,542,994	1,993,494	549,500	605,234	573,565	1,178,799	46.62
2006	2,784,549	1,987,523	797,026	628,471	546,513	1,174,984	67.83
2007	2,810,880	2,369,818	441,062	652,632	518,409	1,171,041	37.66
2008	2,839,969	2,917,079	(77,110)	677,754	489,211	1,166,965	(6.61)

SPECIAL ASSESSMENT BONDS

<i>Fiscal Year Ended June 30,</i>	<i>Assessment Principal Collections</i>	<i>Debt Service Requirements</i>			<i>Percent Coverage</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
1999	\$ 38,693	\$ 23,600	\$ 8,978	\$ 32,578	118.77 %
2000	25,688	58,600	7,806	66,406	38.68
2001	16,033	33,600	4,868	38,468	41.68
2002	10,775	8,600	3,169	11,769	91.55
2003	44,247	8,600	2,707	11,307	391.32
2004	1,348	8,600	2,234	10,834	12.44
2005	14,504	34,400	1,752	36,152	40.12
2006	1,642	-	-	-	-
2007	1,246	-	-	-	-
2008	2,244	-	-	-	-

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF DALLAS, OREGON
DEMOGRAPHIC AND ECONOMIC STATISTICS
CURRENT YEAR AND NINE YEARS AGO

<i>Fiscal Year Ended June 30,</i>	<i>Population</i>	<i>Per Capita Personal Income</i>	<i>Total Personal Income (in 000's)</i>	<i>Area in square miles</i>	<i>Average Density (persons / square mile)</i>	<i>Average Annual Unemployment</i>
1999	12,530	\$ 23,695	\$ 296,898	4.45	2,815.7	5.8%
2000	12,870	24,450	314,672	4.45	2,892.1	5.4%
2001	12,577	24,732	311,054	4.45	2,826.3	6.3%
2002	12,650	24,682	312,227	4.45	2,842.7	7.1%
2003	12,850	24,978	320,967	4.45	2,887.6	7.7%
2004	13,420	27,367	367,265	4.45	3,015.7	7.4%
2005	13,500	27,699	373,937	4.45	3,033.7	6.2%
2006	14,585	29,107	424,526	4.45	3,277.5	6.3%
2007	15,065	30,324	456,831	4.45	3,385.4	5.6%
2008	15,065	N/A	N/A	4.45	3,385.4	5.0%

N/A - information is not available

CITY OF DALLAS, OREGON
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<i>Employer</i>	2008			1997 (1)		
	<i>Employees</i>	<i>Rank</i>	<i>% of Total City Employment</i>	<i>Employees</i>	<i>Rank</i>	<i>% of Total City Employment</i>
Tyco Printed Circuit Group, LP	-	-	3.36%	519	1	10.38%
Dallas Public Schools	351	1	6.02%	220	3	4.40%
Polk County	300	2	5.84%	177	6	3.54%
Dallas Retirement Village	255	3	4.55%	96	10	1.92%
Forest River	195	4	4.36%	-	-	-
Wal-Mart	180	5	3.45%	180	5	3.60%
City of Dallas	153	6	3.09%	-	-	-
West Valley Hospital	150	7	2.91%	230	2	4.61%
James W. Fowler Company	148	8	2.67%	210	4	4.22%
Safeway Stores, Inc.	145	9	2.45%	155	7	3.10%
Weyerhaeuser Corp.	139	10	2.29%	120	8	2.40%
Balderson Industries	-	-	-	120	9	2.40%
	<u>2,016</u>		<u>40.99%</u>	<u>2,027</u>		<u>40.57%</u>

Source: City of Dallas and Employers

(1) Figures for 1999 are unavailable

CITY OF DALLAS, OREGON**FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION****LAST TEN FISCAL YEARS**

<i>Function</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
General government	15	15	15	16	16	15	15
Public safety	24	25	26	27	27	25	25
Highways and streets	5	5	6	6	6	6	6
Culture and recreation	11	12	25	28	25	23	24
Sewage disposal	9	10	10	9	10	10	11
Water	7	9	9	9	9	9	9
Ambulance	13	14	12	12	13	13	14
Total	<u>84</u>	<u>90</u>	<u>103</u>	<u>107</u>	<u>106</u>	<u>101</u>	<u>104</u>

Source: City of Dallas

<i>2006</i>	<i>2007</i>	<i>2008</i>
16	17	14
25	26	25
6	4	5
24	25	25
10	11	8
9	11	9
14	15	14
<u>104</u>	<u>109</u>	<u>100</u>

OPERATING INFORMATION

CITY OF DALLAS, OREGON
OPERATING INDICATORS
LAST TEN FISCAL YEARS

<i>Function</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Police						
Arrests	1,011	1,502	1,261	1,265	1,067	1,201
Traffic violations	1,664	1,818	2,408	1,821	1,412	1,437
Municipal Court Cases	2,320	2,931	3,151	2,655	2,223	1,933
Fire Responses						
City	199	200	214	238	244	232
Rural	246	226	200	213	301	305
Ambulance						
Transports	1,368	1,477	1,804	1,732	1,955	2,038
Building Activity						
Permits Issued	193	150	177	233	173	296
Estimated Value (000's)	\$ 22,798	\$ 12,760	\$ 11,848	\$ 19,885	\$ 25,227	\$ 36,801
Planning Applications	25	30	26	49	53	46
Library						
Circulation	160,033	171,604	173,036	176,531	174,058	185,527
Miles of Streets Maintained	48.98	49.27	49.61	50.00	50.00	54.70
Water						
Connections	3,947	3,979	4,113	4,201	4,319	4,417
Sewer						
Connections	3,479	3,532	3,591	3,611	3,719	3,905

Source: City of Dallas

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1,271	1,257	1009	N/A
819	1,040	1236	N/A
1,727	1,859	2573	N/A
220	278	261	N/A
300	335	404	N/A
1,931	1,956	2334	N/A
251	249	197	N/A
\$ 38,581	\$39,384	\$22,328	N/A
55	63	N/A	N/A
176,408	173,008	176,228	N/A
54.80	54.80	54.8	N/A
4,635	4,737	4,788	N/A
4,100	4,187	4,235	N/A

CITY OF DALLAS, OREGON
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

<i>Function</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Public safety							
Patrol units	6	6	6	6	6	6	6
Officers	13	13	13	13	13	13	12
Highways and streets							
Streets (miles)	48	49	49	50	50	50	54
Culture and recreation							
Number of parks	10	11	11	11	11	11	11
Acreage	63	80	80	80	80	80	80
Aquatic centers (sq ft)	2883	32170	32170	32170	32170	32170	32170
Sewage disposal							
Max daily capacity	12.5 mgd	12.5 mgd	12.5 mgd	12.5 mgd	12.5 mgd	12.5 mgd	12.5 mgd
Water							
Max daily capacity	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd
Fire hydrants	405	409	412	418	431	444	453
Ambulance							
Number of ambulances	3	3	3	3	3	3	3

Source: City of Dallas

<u>2006</u>	<u>2007</u>	<u>2008</u>
6	6	6
12	12	12
54	54	54
11	11	11
80	80	80
32170	32170	32170
12.5 mgd	12.5 mgd	12.5 mgd
8.5 mgd	8.5 mgd	8.5 mgd
468	475	479
3	3	3

CITY OF DALLAS, OREGON

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS YEAR ENDED JUNE 30, 2008

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules are set forth on the following pages.

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Dallas, Oregon (the City) as of and for the year ended June 30, 2008, which collectively comprised City of Dallas, Oregon's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

ACCOUNTING AND INTERNAL CONTROL

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

ACCOUNTING RECORDS

We found the City's accounting records to be adequate for audit purposes.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2008.

CITY OF DALLAS, OREGON

***AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)
YEAR ENDED JUNE 30, 2008***

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2008, the City was in compliance with ORS 294, as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 328. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt.

BUDGET COMPLIANCE

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation and adoption of its budget and tax levy for the years ended June 30, 2008 and 2009, and execution for the year ended June 30, 2008, except as noted. A description of the budgeting process is in the notes to the basic financial statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the City's insurance coverage at June 30, 2008. We ascertained that such policies appeared to be in force. We are not competent by training to comment on the adequacy of the insurance policies covering City-owned property.

PUBLIC CONTRACTS

The City's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

Our reports on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 are contained in the separate Single Audit Annual Financial Report.

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to material programs funded wholly or partially by other governmental agencies. The City is in compliance with the guidelines in all material aspects.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

CITY OF DALLAS, OREGON

*AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)
YEAR ENDED JUNE 30, 2008*

HIGHWAY FUNDS

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel, and the statutory requirements of ORS 368 and 373 as they pertain to the use of road funds.

This report is intended solely for the information and use of City Council, management, federal awarding agencies, State of Oregon Division of Audits, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS*

By: 

Charles A. Swank, A Shareholder
December 15, 2008